



TEN YEARS  
*of the*  
NATIONAL BANK  
*of*  
CZECHOSLOVAKIA



# CZECHOSLOVAK REPUBLIC







TEN YEARS  
OF THE NATIONAL BANK  
OF CZECHOSLOVAKIA

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Activities of the National Bank,  
Economic Conditions and Development  
of the Czechoslovak Republic*

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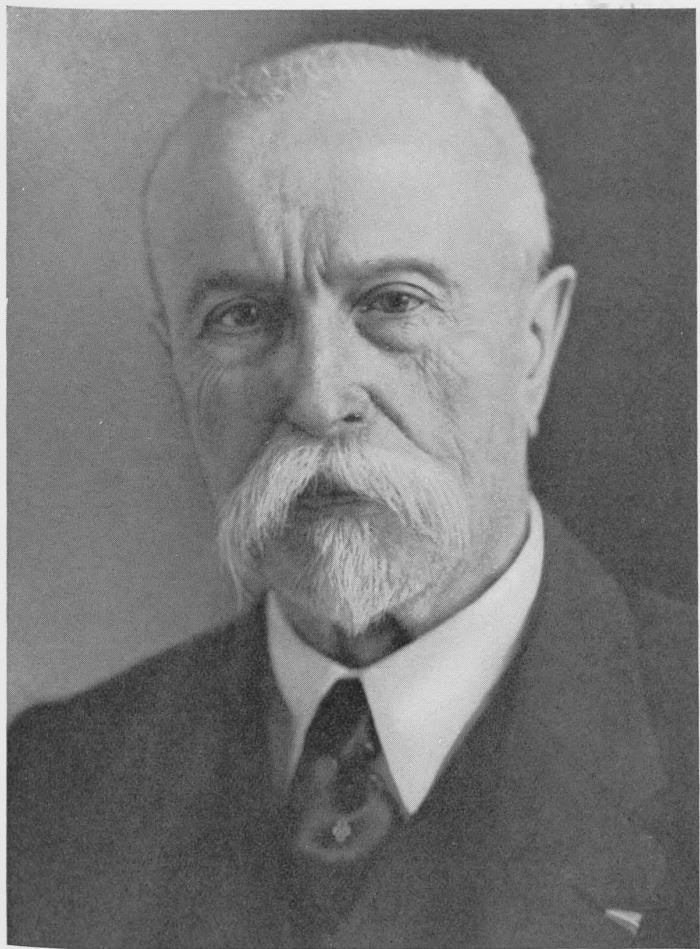






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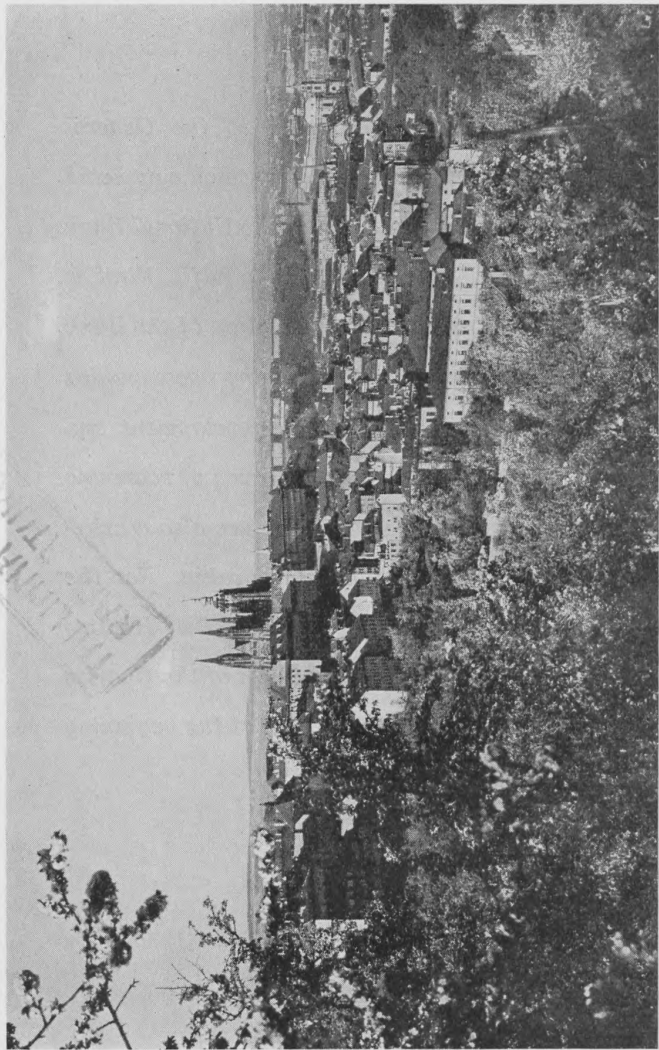


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PRIME MINISTER OF THE CZECHOSLOVAK REPUBLIC.



*This book was published prior to the General Meeting for the administrative year which completed the first decade of the operations of the National Bank of Czechoslovakia. It has two tasks to fulfil. First, it gives information about the organisation of the Bank and its activities in a brief summary accompanied by statistical figures showing its development and present state. Further, it gives a survey of economic conditions in Czechoslovakia, which are also a criterion of the cultural life in Czechoslovakia. For the use of our foreign readers, an article on the "History of Czechoslovakia" by Professor Šusta of the Charles University, Praha, has been inserted at the beginning of the book.*

*Praha, 1937.*



*Praha, Capital of the Republic of Czechoslovakia.*  
(The Castle.)





Dr. JOSEF KALFUS,  
MINISTER OF FINANCE.

CZECHOSLOVAKIA  
IN THE HISTORY  
OF EUROPE



# *Historical Outline of Czechoslovakia*

By Professor Dr. JOSEF ŠUSTA.

At the round table of European states we see powers which have sat there for centuries in seats representing great tradition and merits for general culture, while the places of other countries at the joint table have been taken only recently and represent more modest achievement. The Czechoslovak Republic is neither among the former nor among latter. As an independent state, with a somewhat unusually sounding name, it also has been admitted to the circle only recently; however, it does not occupy a new place. A proper understanding of this requires a retrospective look into the remote past in which our ancestors experienced many a tragedy — not, however, without a well-earned laurel of merits for the common progress of mankind.

A thousand years is a short time in relation to eternity, but it was a period of decisive importance for the union of present European nations. It was not until the 9th Century A. D., at the fall of the Great Empire which Charlemagne at that time had built up from the various, disunited small tribes, in a futile effort to revive the old Roman Empire, that nations at present known as the French, Italian and German, commenced to crystallize their real individualities. Already then the Czechoslovak nation offered to participate in the common task.

A people, then still poor, settled at the very periphery of the cultural world of that epoch, succeeded, in the Moravian-Slovak region, in forming a unit of considerable strength, and their prince of his own free will, turned to far-off Constantinople in order to obtain from that most important center of contemporaneous culture of those times the benefits of Christian creed and education, and thus gain a share in the great heritage of ancient culture. The Brethren of Salonica who, on his invitation, came to Moravia, encountered there not only full willingness to accept the external guaranties of Christ's message of salvation, but also understanding for the second precious gift — the special script and the beginnings of individual Slav literature. It is interesting to note how the primitive Czechoslovak people who, strongly desiring freedom and independence, under the leadership of such personalities as were the princes Rostislav and Svatopluk, created, by battling with the Germanic neighbours, the powerful



Moravian Empire, which extended considerably beyond the present borders of the Czechoslovak Republic. The Moravian Empire proved to be a very useful bridge between the west, the east and the south of Europe. Being in touch with Rome as well as Constantinople in church matters, it also came in direct commercial contact with the German city of Regensburg and with the headquarters of the Bulgarian chagans; on the territory of Great Moravia, an original Slav liturgy was evolved which figured as an open gate to further sections of the country inhabited by Slav tribes. Reading the intuitive narrative of Method's contemporary biography, we sense the fair hopes attached to this spring of Slav culture, headed by the Czechoslovak element.

These hopes, however, were almost instantly frustrated by the arrival of Magyar (Hungarian) troops of horsemen who settled permanently in the Danubian lowlands, from where, in the course of many decades, they systematically invaded Central and Western Europe. These incursions brought about not only the downfall of the Great Moravian Empire and the separation, by the wide Finno-Ugric wedge, of southern and western Slavs, but also a strengthening of the barrier which, in later development, more and more definitely separated from it the sphere of Latin and Byzantine culture. As regards the Czechoslovak element, this resulted, moreover, in the loss of its eastern Slovak branch which was confined to a permanent life with the Magyar element in the gradually developing Hungarian state, whereas the western branch was compelled to join Eastern Franconia and the new Empire which shortly after was created by Otto the Great, under the leadership of the German element.

However, even under these circumstances, the Czechs preserved their unquestionable existence. The Přemysl dynasty organized the Czech tribes into a state entity, the seat of which was the Castle of Praha, and employed in this task the force not only of arms but of spirit as well. At that time—the 10th Century—when the Church became the haven of cultural existence for European people, all heroism tended towards religious motives. A saint in that epoch meant the same as a genius in art or science means in our times. With the characters of St. Ludmila and St. Václav (St. Wenceslas), figures of everlasting spiritual power, the Czech nation helped to enrich the gallery of contemporaneous religious heroes, showing through them that in the union of European culture it does not wish to be merely a member who accepts, but that the Czech people are also capable and willing to make sacrifices for common ideals. This

Europe recognized and appreciated. In the next generation, famous writers of that period, namely, Gumpold of Mantua and Lawrence of Monte Cassino created works glorifying the Czech prince and martyr. Along with the fervent devotion to the new creed, Bohemia, in the 10th Century, showed in order respects as well great interest in the highest cultural values. In the rotunda of St. Vitus Cathedral at the Castle of Prague was built, in that century, a sanctuary of an artistic impressiveness equalled only by few even in the oldest centers of culture in Central Europe, and the holy flame of national saints glowed in Bohemian literature which, aided by Method's bequest, included works of rare value, written in the mother tongue, such as the Life of St. Václav, in ancient Slav. Slav literature thus found a stronghold not only in the Balkans, at the court of the famous Czar Simeon, but also in Bohemia, where the young Přemysl dynasty vied with its German neighbour also in other aspirations tending toward a refinement of the social as well as governmental order; for example, by the minting of its own coins which, in Bohemia, enjoys a thousand-year tradition.

The Czech element was, however, soon able to participate also outside of its own territory in the work of regeneration which Europe had to undertake in order to overcome the upheaval caused by the invasions of the Vikings, the Saracens and the Magyars. St. Vojtěch (Adalbert) of the Slavnik family, the second bishop of Prague, was one of the first enthusiastic promoters of the daring ideas aiming towards religious reformation of the Cluny movement in Rome itself, where he became the favorite friend and inspirer of Otto III. His religious and moral apostolate,



*King St. Václav (Wenceslas).*  
(Statue by Myslbek  
on the Wenceslas Square in Praha.)

culminating in a martyr's death, carried an effective message of Christian culture not only to Slavonic Poland but also to Hungary.

In places where nomadic tribes had hardly begun to get accustomed to a settled life, the works of St. Vojtěch and his companion Astrik, the first Archbishop of Ostrihom, were of fundamental importance in the evolution of a more stable form of state life. The torch of St. Stephen was kindled by the torch of the Bishop of Prague, and as early as in the 1st Century of its existence, the young Czech state, at that time extending far into Polish territory, proved that, in return for the benefits derived from the common font of European culture, it was capable of contributing thereto its own modest share.

Its evolution, of course, did not take a straight course toward further heights of success. The very fact that the younger Christian nations in Poland as well as in Hungary consolidated themselves right alongside, suppressed its expansion and led to encounters in which the Přemysl dynasty was not always the conqueror. Simultaneously, however, the German element started its strong pressure eastward, and neither among the Slavs in the countries along the Elbe River nor among the Slovenes in the south of the Danube did it find such resistance and capability of forming armed forces as in Bohemia. Consequently, the wide countries in the north of Bohemia up to the river Oder and in the south along the Danube and Drava rivers up to former Pannonia were flooded by a wave of German imperialism, and the Přemyslide state thus involuntarily formed a pointed wedge, from which the Slav language penetrated farthest to the west, and became a practically advanced fortress on which the pressure of German expansion was exerted from three directions.

The unfavorable strategical position thus became fateful for the Czech nation which, however, succeeded in combating it not only by a strong fist, but also by a great aptitude for conciliatory compromises. It was then proved that the very capability for ready acceptance of advanced ideas from outside saved the Czech people from the fate of the Slavs inhabiting the countries along the Elbe, and enabled them to incorporate their state into the great unit of the medieval Roman Empire, where, it is true, the German tribes with their rulers maintained a leading position, but where, through Burgundy and Italy the Roman element also played a rôle. In this unit, inspired by one universal idea, the Czech dukes secured a singular position for their state. Although German emperors tried repeatedly, during local feuds in the Přemysl dynasty, to break this

hard crystal, the Czech state withstood, and the wave of German onsets broke against the Czech mountains whenever the Germans were guided by aggressive motives; on the other hand, when the German element carried real progress, and its aim was not domination alone, it gradually penetrated through the mountains into the young state, and from the XIIIth Century this peaceable penetration greatly increased.

The German element, at that time, entered the Czech countries by means of rural colonization, bringing better rights to farmers and greater profits to landowners; in communities enjoying city rights, it was instrumental not only in establishing active centers of commerce and industry, but also in introducing a new social as well as legal differentiation. At the same time, however, it altered the country, which until then had been almost entirely Slav, into a two-language country. This, however, did not happen against the will, but with the consent of the Czech leading circles, whereupon the Czechs as well as the Germans competed in diligent work in order to accelerate the economic mobilization of the natural wealth of the country.

The remarkable success attained as early as in the XIIIth Century was substantially due to the special feature of this wealth — the



*First Coins, Xth Century.  
King St. Václav (Wenceslas).*



*Coins of the Xth Century.  
(King Boleslav I.)*



productivity of the Czech mountains, which gave our country the reputation of the most removed silver-bearing country in the later Middle Ages. Headed by Jihlava and Kutná Hora, the Czech mining enterprises very effectively helped to remove the prevailing scarcity of precious metal which, at that time, hindered the development of the financial administration and of a more intensive culture as regards exchange matters in all Europe. Prospectors and miners streamed to Bohemia from all sides, as for instance to California



*"Grossus Pragensis" (King Venceslas II).*

or to the Transvaal, but the important fact was that in many places in Bohemia they found not only real mineral wealth, but a legal basis for a proper organization of mining as well. In that respect, the mining laws of Jihlava bear the same significance as the famous *Ius regale montanorum* of King Václav II; both of them were likewise effective in the neighbouring countries, especially in Slovakia, being assisted by a proper organization of capitalistic ventures which in the patrician society of new Czech towns rapidly gained definite forms.

The productive employment of capital in speculative ventures greatly accelerated economic progress and the accumulation of wealth in the countries which were then Czech, in consequence of which the Czech state, in 1300, was the first in Central Europe to brave the important step tending toward national economic progress, namely, to establish, with the use of Italian capital, a good, stable currency of heavy "groshes", thus replacing the valueless tin "denars" which hindered rather than helped trade. This new currency represented

great progress in national economy. The Praha "grosh" thus became the symbol of an entirely new phase of economic development not only in the Czech countries but, being a much sought after commercial coin, also in the neighbouring countries. Of great importance then was the fact that political growth accompanied the rapid economic progress. When in neighbouring Germany and Poland the unprofitable splitting up of territory led to a decline of Governmental power, and when in Hungary, under the last of the Arpads, state life was seriously shaken, the Přemysl dynasty, permanently adorned by the royal crown, remained not only the master of a solid block of its own Czech countries, but extended its sovereignty to surrounding countries, in many cases as far as the Adriatic and the Baltic Sea.

The leading idea of political progress in that period was expressed in efforts to form from the chaos of feudal orders and from small local groups larger bodies of governmental power, with regularly functioning legal and bureaucratic institutions. In the west, the Capets and the Plantagenets competed for this goal; in the Mediterranean section, the descendants of the Anjous and the Kings of Aragonia; and in Central Europe, the Přemysl dynasty entered the contest. Through their economic prosperity and the military efficiency of their people, the Czech countries prepared for the Přemysl dynasty a desirable background for the establishment of a powerful empire, extending considerably beyond its original territory, as well as into territories in which German, Polish and Hungarian languages were spoken.

This ambitious external action of the Czech Kings, Přemysl II and Václav II, was accompanied by remarkable efforts on their part to stabilize and improve internal order. They proved to be judicious legislators and founders of new institutions of general importance. For example, the public records of the realm, the origin of which is connected with the stabilization of the Court of the Province of Bohemia under Přemysl II, will continue to be the pride of Czech national life. This institute served very effectively not only to assure and strengthen the legal system in the interest of the free inhabitants of the country, but also indicated the unusual progress achieved in all laws governing property, principally immobile property, the latter laws not being introduced in many of the neighbouring countries until much later. Likewise very significant was the fact that in evolving their administrative system as well as in establishing their center of court life, the last of the Přemysl dynasty were no longer dependent solely on Germany for patterns, and did

not hesitate to seek instruction and advantageous incentives in the more remote Roman countries.

All this tended to raise rapidly the cultural standard in our country, not only of the sovereign's court, but also of all the higher classes of population, especially of the noblemen of the province who likewise shared in the economic prosperity and presumptuously competed with the King, claiming special rights and privileges for their class. This, of course, revealed the gloomy aspect of the conflicts which, as a result of the imperialistic policy practised by the Přemysl dynasty, arose not only with their old rivals in Hungary and Poland, but especially with the German element, with which it was so closely connected.

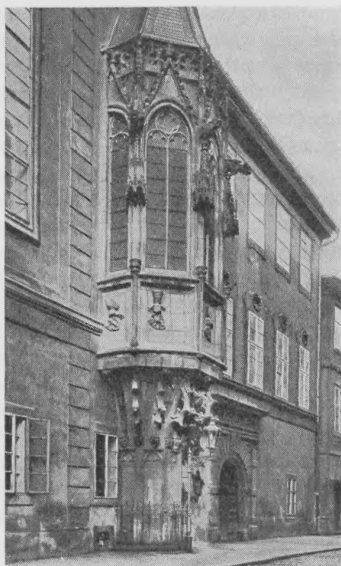
From the moment the Czech sovereign, through his actual power, distinctly outgrew his position as mere vassal of the Holy Roman Empire, it was but a question of time when he himself would attempt to attain the imperial crown; the natural opposition of the German element against this was aided by Rudolph of Habsburg and his family, and thus the Přemysl Empire was drawn into extremely severe conflicts, especially since its expansiveness aroused the ill feelings of the Pope. At this fatal moment, its enemies found support not only in the disturbances which arose among the various classes of Czech nobility, but also in the extinction of the Přemysl family, which struck the tragic note in Czech history.

That was, indeed, a heavy blow at a time when states comprised primarily dynastical groups, and the Czech race was destined never again to find a dynasty bound to it by blood ties. In the meantime, however, the Czech nation succeeded in finding in the dynasty of the Luxembourgs rulers who were at least related in the female line to the extinct dynasty and who, in the second generation, were able to carry on the tradition of Přemysl and, in certain respects, his work to further success. With Charles the IV the imperial crown actually became the property of a Czech king who then ruled powerfully also over Silesia and Lusatia, and whose power extended into Brandenburg and far into Bavaria, as well as into the territory along the river Main. At the same time, however, through his possession of Luxembourg on the Mosel, he was in direct touch with the Roman West, which very favourably influenced Czech culture.

Prague then became an imperial city, a metropolis, where the first university of Central Europe—the Charles' University—was founded. The castle of Hradčany was beautiful by the culminating phase of the Gothic style on the cathedral of St. Vitus, where purely



*Emperor Charles IV.  
(Old Statue.)*



*Charles' University, Praha.  
(Arch-window,  
end of the XIVth Century.)*

French art vied with the South-German master school of Peter Parler, while the French and Italian schools jointly influenced Czech art, the fine development of which was displayed in masterpieces such as the miniatures of chancellor Jan, or the window-pane pictures of the painter of Trebon, works that marked a new epoch in all art in the North of the Alps.

The same was true in the intellectual field. Nowhere else in the region westward of the Alps did the early humanism of Petrarch and of Cola di Rienzo find so active a reaction as at the court of Praha, in the groups headed by chancellor Jan of Středa and by Arnost of Pardubice. The spring of new esthetic Italian motives, which were to lead the European spirit to a revolution conquering the middle-ages, unusually strongly influenced the national literature of both the races inhabiting the Czech country—the Czechs and the Germans—inspiring them to works of highest standard. The Czech



empire under Charles the IV and Václav the IV was the cradle of a new Upper-German literary language which found its first utterance in the highly artistic dialogue, called "Ackermann aus Böhmen", written by Jan, a municipal scrivener of Zatec. Similarly, in the Czech language Gothic poetry attained great heights, as for example, in the Legend of St. Catherine.

The emulation of the two races in the cultural field was, of course, accompanied by controversies. The competition of the German patriciate, backed by the power of mobile capital, with the domestic nobility ruling over wide dominions, accelerated the awakening of Czech patriotism of a strongly anti-German tone, which, already in the beginning of the XIV Century, found vehement expression in such works as were the Czech Alexandreis or Dalimil's chronicles in verse. Similar controversies could at the same time be noticed also among the clergy as well as at the newly founded university; however, they attained special significance in that the Czech element, whose pride and self-confidence were growing, rapidly found the courage to seek individual ways aiming at a solution of the problems which in those days disturbed Europe.

Those problems were primarily called forth by a crisis in the Church which was confronted with the arduous question of the hour, to reconcile the growing richness and fineness of secular culture, which even drew the hierarchy and its complicated apparatus into the whirl of wordliness, with Christ's principles of renunciation, a deeper comprehension of which was growing—particularly in the fine spiritual atmosphere—through a critical study of the sources of faith.

Contemporaneous Western Europe made attempts, at important councils, especially in Pisa and Constance, to solve this crisis by moderate compromises under the motto "reformatio in capite et in membris" — however, without success. On the other hand, the Czech nation, headed by John Hus, chose a more radical way. Applying the views which John Wycliffe shortly before had expressed in England, namely, that Christian life be concordant with the commandments of the Holy Scriptures, the Czechs were seized by the ambition to set to the world a beneficent example of how to reform private and public life in a purely evangelic spirit. As may be noted, the impulse came from abroad; nevertheless, it struck, on Czech soil, strings of such an original and deep tone as vibrate, for example, in the contemplations of the peasant-philosopher Petr Chelčický,

dealing with Christian deliverance. They show a strong kinship with the works of Leo Tolstoy in the XIX century.

The exceedingly radical methods adopted by the Czech Husites, of solving the religious crisis, proved to be premature. The greater part of the other Christian world turned away from them as from godless heretics, and the Czech attempt at reformation, which, in a Messianic enthusiasm was conceived on the basis of genuine ideals, dragged our countries into severe and long-lasting internal and external battles during which national as well as various social antagonisms were vented. Owing to their fanatical loyalty to the acknowledged truth and its symbols as well as to their indisputable military efficiency, the Czech Calixtines succeeded in resisting the preponderancy and in finally arriving at an honorable compromise with the universal Church through the covenants of Basel. Their victories, however, were attained at the price of great devastation of their country as well as of cultural isolation into which they were hurled and in which they were forced to remain for many years as a result of accusations of heresy and of annihilation of the standing social orders.

The Czech element was thus placed by the rest of Europe into a sort of quarantine which was the harder on them as just at that time the difficulties of the Czech state and nation were substantially enhanced by the extinction of the Luxembourg family, and the hostility of its neighbours, especially the Magyars, who were influenced by the authority of papal Rome which was unwilling to accept the covenants of Basel. Notwithstanding these arduous conditions, the Czech nation did



*John Hus.*

(Monument by Šaloun in Praha.)

not succumb and gave to the world a strong personality in George of Poděbrady, a sovereign who proved his skill as statesman in various ways. Particularly, his clear insight helped him to understand that what the more advanced national states of Europe needed were new, constructive ideas instead of the worn out and empty general mottoes brandished by the Pope as well as the Emperor. His plan for the reorganization of the whole Christian world by means of an international league of nations which would prevent mutual wars and unite it in one effective federation against the danger threatening from Turkey, originated, it is true, in the mind of the French adventurous statesman Marini, but it was at the court of Praha that this idea took root and obtained so strong a support as nowhere else. Although king George did not succeed in enforcing this idea—which, furthermore, even the present League of Nations has not been able to accomplish as yet—the vivid interest which the Czech nation displayed in the remarkable idea which arose on the political horizon of Europe no doubt contributed greatly to its credit. At the same time, the creative spirit in religious life again blossomed richly through the activity of the Union of the Czech Brethren which made a very original attempt at solving the long-lasting religious crisis by reconciling the strict order of the church with the much too tolerant form of religious sects. In this Union we encounter many an idea which later, in the Calvinist Puritanism, undoubtedly became productive component of new European culture.

The isolation in which the Czech nation, owing to the malevolence of its neighbours, was involved, naturally did not allow these attempts to rise to general importance, and likewise hindered the penetration of the rich artistic as well as scientific influence into Czech life from abroad, where the Renaissance movement had just commenced to create a new atmosphere. Nevertheless and in spite of all this, there are proofs that on the verge of the XV and XVI centuries those influences exercised a fertile effect upon Czech art, literature and science; among such proofs may be mentioned the lovely memorials of fine art which adorned Praha under the reign of Vladislav the Jagellon, further, the works of the outstanding humanist Bohuslav Hasištejn of Lobkovic, as well as numerous scientific works written in the new spirit, as for example the notable attempt of Viktorin Kornel of Všebrdy at a systematical work dealing with the laws of the Czech country, in which the strength of old national tradition was combined with the deep scholarship of the humanistic spirit. Likewise, the early beginnings of book-printing

in Bohemia, dating back to 1468, bear testimony to successful intellectual endeavors.

Owing to the victory of evangelical reformatory ideas under Luther and his followers, who carried on the work of John Hus, the barrier of prejudices existing between Germany and the Czech reformation began to break down. Just at that time, however, the state life of the Czech countries again suffered a blow by another change in the dynasty. After the death of King Ludvik the Jagellon in the war against the Turks in 1526 the Habsburg family ascended the Bohemian throne, and along with this change a sequence of events, fatal for the further evolution of the countries united under the Czech crown, occurred. Until then their state

individuality was unquestionable. Although the Czech King also ruled in other countries, he considered the crown of St. Wenceslas as the central power to which the other countries were either bound by feudal covenants or merely connected with it by a free personal union, based upon entirely equal rights; such were the conditions during the dynastic merger of the Hungarian and Czech crowns at the time of the Jagellons. The Habsburgs, however, endeavoured, ever since their accession to the throne, to make use of the Czech state, as a mere instrument for their plan in Europe, and thus forced it into a totally unaccustomed dependence upon a definite universalistic conception. This was foreign to the Czech element also in that with their dynastic policy in Europe, the Habsburgs, backed by a close alliance with papal Rome, were opposed to the reformatory movement, whereas the Czech nation in its overwhelming



*King George of Poděbrady.*  
(Painting by Aleš.)



majority was deeply attached to that movement and its relation to the Papal See was decidedly unfriendly. Moreover, the Habsburgs demanded great sacrifices from the Czech countries, particularly in defense against the Turkish menace which grew especially because the Hungarian state failed to show sufficient resistance. Especially in its Magyar-speaking section there was a great lack of higher economic standard and of municipal strongholds, which would be capable of firm resistance; consequently that part was easily flooded by the Turks and turned into a pashalic of Budín. Only in the northern part of Hungary, better fortified by German towns, was the Turkish onset checked. In order that the territory, which comprised an area about equalling that of Slovakia at present, might be saved for the Habsburgs, the Czech countries—similarly to Croatia in the XVI century—were obliged to bring great sacrifices, especially in taxes, a fact that should not be under-estimated, the less so, since they were imposed upon countries whose economic conditions, at that time, were developing unfavorably.

However, the country recovered from the blows suffered in the Hussite wars, particularly since the Czech nobility began to devote more attention to the rationalization of agricultural production. In that respect, especially pisciculture acquired general reputation. On the other hand, the great commercial routes in Europe which, owing to exploration cruises and to development of oversea trade, found new directions, avoided the Czech state almost entirely. Only in the North, in the Silesian city of Breslau did they touch Czech territory. The decline in the price of silver, caused by the heavy influx thereof from the new World, also contributed to the diminishing economic importance of the Czech countries. Mining in Bohemia ceased to be lucrative, and only for a short period and as a last reflection of better times, Jáchymov became prominent as the place of origin of the coin predestined for the world's greatest career — the "tolar" or dollar, an abbreviation of "Joachimsthaler".

The discord between the leading Czech classes and the Habsburg dynasty increased until, in the beginning of the XVII century, owing to religious as well as political reasons, it grew into an open revolution which had many features in common with the revolution of the Netherlands against the reign of Philip the Second. The Czech countries stood at the head of the Protestant groups which rose in defense

against the pressure of counter-reformative Rome and the aggressive tendency of the Habsburgs. Their struggle, however, ended by a crushing defeat at the White Mountain. The conqueror misused harshly his victory not only in favor of his absolutist aims as well as those tending toward the reconstruction of Catholicism, but furthermore did nothing whatsoever to prevent the consequences of the defeat from marring the development of the entire Czech nation. Not only were the countries within the Czech state subject to extreme terrorization during the Thirty Years War, since it took place on its territory, but thousands of families of the Czech nobility and of the town patriciate were forced into exile by the rigidity of the counter-

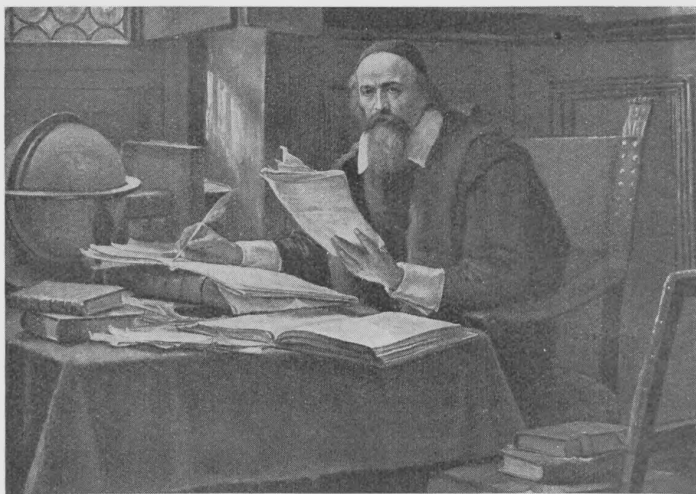


*Coins minted by the Counts Šlik, in Joachimsthal  
(called "Thalers", i. e. Dollars).*

reformative viewpoints, and there, after having lost all hope for return, they lived in destitution and gradually got lost in the foreign atmosphere, as wrecked representatives of unfailing loyalty to certain lofty ideals. Nevertheless, even in this group, drawn together by tragic fate, a light shone through the darkness with the productive and creative spirit of Jan Amos Komenský (Comenius), a bishop of the Union of Czech Brethren and, it may be said, the torch-bearer of Czech exiles, who, with his heart full of anxiety for the future of his nation, fought untiringly for lofty ideals of universal importance, especially for effective systematics of all human knowledge, and for new methods of education.

In the meantime, his native land, deprived of the prime of its intelligentsia, and laboring under the weight of a regime which was

interested solely in a definite return of its subjects to Rome and absolutely incapable of making to the Czech countries fair amends for the values which it took away from them, was endangered by a sterility in all intellectual work. Elsewhere, as for example in France during the reign of Louis the XIV, the severe absolutism of a distinctly Catholic trend also fettered the vital forces of the nation



*John Amos Comenius,  
born 1592 in Nivnice near Uherský Brod, died 1670 in Naarden  
(from a painting by Brožík).*

and subdued it to its power; on the other hand, however, it provided, in the brilliant atmosphere of the court many new stimulants for further development and zealous work. Contrary to that, the Habsburg Court, absolutely distrusting the revolutionary Czech soul, permanently lived outside the historical countries, burdened them with unfair and unproportional taxes of which practically nothing was returned to them, and, constantly waging wars with Hungary and on the Rhine, demanded their lives.

Thus, the life of our nation reached a critical point. Although

the Czech nation succeeded in maintaining its mother tongue, its higher spiritual faculties became thwarted and it led merely a vegetative form of existence over which the glory of the new baroque churches of Praha towered almost ironically. Under this distrustful and sterile regime, the Czech countries, overshadowed by the powerful Habsburg dynasty, almost entirely escaped European attention and became the victim of a provincial backwardness of a medieval nature, while in other countries this already began to be overcome by the courageous spirit of new sciences. These trends which finally crystalized into forceful cultural ideas, ultimately also reached the Czech countries, not, however, until the second half of the XVIII century, especially after the Habsburg dynasty—whose male branch was extinct—was revived by the blood of the Lorraine family. However, not even economically did the new viewpoints prove very effective; on the contrary, they called forth various new difficulties. Under the reign of Maria Theresa they tended to augment the effort aimed entirely to break the independence of the Czech Crown in favor of the centralism of the dynasty, which was stimulated by the new standpoints of a schematical utilitarianism. Those viewpoints were even strengthened by the Emperor Joseph II, who endeavored to simplify administration as regards language in his whole Empire by leading a fight against all remaining old traditional order and especially by establishing a merciless absolutist regime with an evident tendency toward germanisation in school systems, as well as in all cultural life, which was to facilitate a bureaucratic unification of the state administration.

These tendencies gravely affected the Czechoslovak element in particular, because the stormy revolt which they called forth in Hungary brought out the national pride of the Magyars who demanded that, instead of the Latin which until then was the official language of the public administration, common to all the nations united under the Crown of St. Stephen, the Hungarian language, and not German, be introduced and exclusively used in public life. This was the beginning of actual danger for the territory where the Slovak language was spoken and since then the Czechoslovak element had to be on guard on two fronts, namely, against the German language in the West and against the Hungarian language in the East.

Naturally, this pressure awakened a greater resistance of the

nation which, at the same time, was strongly affected by the upheaval in spiritual life in Europe, the latter, at the close of the XVIII century, bringing about conflicts which resulted from two contrary movements — enlightenment and romanticism. From this chaos arose Czech national regeneration. It was no resurrection of Lazarus, since the Czech nation had never ceased to exist, but rather a renewed call for higher spiritual functions and the rights connected therewith, in order that the Czechoslovaks might again participate in creative and productive cultural work and not be mere serfs to foreign language organisms. Owing to the distrust and rigidity of the absolutist regime in the countries ruled by the Habsburgs which was the severer since it feared the influences of the great French Revolution, the national regeneration, in its first phase, found expression in literature only; it is interesting to note, however, that the régime led to closer relations between the Czech and Slovak intelligentsia, separated by the Czech and Hungarian frontiers. Thus, contacts between Praha and Bratislava became very active, and the resulting cooperation inspired a group of leading personalities who not only became important for Czechoslovakia but whose prominence was more widely spread. The collaboration of Slovaks, namely, Jan Kollár and Pavel Safařík, with the Czechs, Josef Jungmann and František Palacký, gave rise to the ideal of Slav unity, which was of great significance for the entire spiritual life of Europe, the more so, since it was considerably strengthened by the conception that the roots of real Slav personality lie in peaceful and productive humanity. This ideal of Slav unity had been promoted already previously by the successful scientific work of Josef Dobrovský, a great Czech pioneer, in comparative, especially Slav philology, who, at the close of the XVIII century, very impressively represented the renewed effort of the Czech nation to contribute to the general work in new European science. Thus the Czechoslovak element, after long silence, again claimed a place among those nations which justify their existence not only by accepting cultural incentives, but also by contributing to the endeavours towards human progress. The desire of the Czech nation to become useful to mankind in the field of exact and natural sciences as well was thereupon proved by men like J. E. Purkyně, one of the founders of modern biology, who, at the same time, stood at the head of the patriotic movement.



GENERAL MILAN RASTISLAV ŠTEFÁNIK.





In the Forties of the XIX century, this movement gained an increasingly political tone, influenced by the inevitable awakening of all the countries in the Habsburg monarchy to a revolt against the torpidity of Metternich's quietistical ideology. This, of course, required sacrifices, especially since the unusual conditions prevailing in Hungary roused the leading Slovak circles which came to the conclusion that they could more easily secure a greater measure of rights for their nation and accelerate national awakening by creating from the local dialect an individual literary language, different from the Czech which until then was also predominant in Slovakia in literature as well as in the Protestant Church. Certain previous attempts for such a separation of languages had failed, but now, hand in hand with the motives of political utility, the Slovak branch of the Czechoslovak nation started on its own course with the idea, which some of its leaders expressed, of attaining full national individuality within the wide circle of Slav nations.

The separation of the two branches of the Czechoslovak language group, whose understanding in important spiritual expressions until then always was perfect, was intensified by the growing dualistic power which in the second half of the XIX century tended increasingly to keep apart the Austrian and Hungarian group of the Habsburg Empire. Being obliged to depend on their own forces, without any close mutual relations, the Slovaks struggled with the pressure of Hungarian, and the Czechs with the pressure of German nationalism, both of which, in Budapest as well as in Vienna, enjoyed the support of the governmental mechanism under the motto of a more effective and modern adjustment of the state administration; this, however, was frequently used as a pretext by the old feudal powers in Hungary and by the new capitalistic powers in Vienna. In this unequal struggle, the Czech nation naturally revived memories of the famous tradition of the state which their ancestors had built up, the legal existence of which within the other Habsburg dominions, in their opinion, never could be effaced. They did not obstinately reject the possibilities of properly adjusting their legal claims with the imperialistic requirements of the Habsburg monarchy; on the contrary, it was from among the Czechs, through men like Fr. Palacký and Fr. L. Rieger, that many an initiative came for such an agreement which might serve as a basis for a permanent, charac-

teristic and powerful position of the Habsburgs on the Danube, reconciling the claims of the Slav nations with those of the ethnical groups. However, the pressure of the German and Magyar self-confidence, which grew especially after the great political changes resulting from the wars of 1866, 1870 and 1878, was much too strong to allow the Habsburg dynasty to arrive at such a purposeful solution. Its policy followed a trend which revealed an open animosity toward most of the Slav groups, and finally the whole Monarchy was threatened by internal nationalistic fights of such intensity that it sought rescue in an adventurous expansion in the Balkans and in a hazardous provocation of the World War, having overconfidence in the German element in Europe.

This was the last step toward its destruction and fall, the more so since the long-lasting pre-war political struggles had aroused in the Czech element forces which did not shrink from a catastrophic solution, the point of which was openly thrust against the Habsburg Monarchy and aimed at a renewed independence of the Czech state. At this time, however, in unison with the Slovak branch which, exposed to a constantly growing Magyar oppression, was also abandoning hope—at least among its most prominent leaders—that it ever could obtain under the Crown of St. Stephen the slightest satisfaction in its just claims for an honorable national existence, even if it be only with regard to its language and education. These facts induced the Czech and Slovak people unanimously to take up the struggle for their full independence during the War when plans for a new Europe were being formulated, in order that they may support their further existence partly by the old tradition of the historical state of Bohemia and partly by their just claims for the self-determination of a nation to which the language and spiritual rights had been denied by foreign oppression. Thus, through the fervent will of the entire Czechoslovak nation for freedom and the action conducted abroad by T. G. Masaryk and Ed. Beneš, with the cooperation of the Slovak patriot and hero, general M. R. Štefánik—all of which was supported by the heroic action of the Czech legions on the battlefields of the Allies even in Siberia, was created the Czechoslovak Republic. Although it is apparently a new formation, in its core lies old and rich tradition and it has the satisfaction that,

even in the past, the Czechoslovak element contributed to the state and cultural development of the Great European Union. The consciousness of this serves the Czechoslovak Republic as a basis in its further efforts toward even greater, productive development, in the conviction that every nation and every state should again and again justify its existence especially by positive achievements in common service to mankind.

The first part of the paper discusses the importance of the study of the history of the English language. It is argued that a knowledge of the history of the language is essential for a full understanding of the language itself. The second part of the paper discusses the importance of the study of the history of the English language. It is argued that a knowledge of the history of the language is essential for a full understanding of the language itself. The third part of the paper discusses the importance of the study of the history of the English language. It is argued that a knowledge of the history of the language is essential for a full understanding of the language itself. The fourth part of the paper discusses the importance of the study of the history of the English language. It is argued that a knowledge of the history of the language is essential for a full understanding of the language itself. The fifth part of the paper discusses the importance of the study of the history of the English language. It is argued that a knowledge of the history of the language is essential for a full understanding of the language itself. The sixth part of the paper discusses the importance of the study of the history of the English language. It is argued that a knowledge of the history of the language is essential for a full understanding of the language itself. The seventh part of the paper discusses the importance of the study of the history of the English language. It is argued that a knowledge of the history of the language is essential for a full understanding of the language itself. The eighth part of the paper discusses the importance of the study of the history of the English language. It is argued that a knowledge of the history of the language is essential for a full understanding of the language itself. The ninth part of the paper discusses the importance of the study of the history of the English language. It is argued that a knowledge of the history of the language is essential for a full understanding of the language itself. The tenth part of the paper discusses the importance of the study of the history of the English language. It is argued that a knowledge of the history of the language is essential for a full understanding of the language itself.

CZECHOSLOVAK CURRENCY,  
ITS ORIGIN  
AND DEVELOPMENT

EXHIBITORY LIBRARY  
ITS ORIGIN  
AND DEVELOPMENT

# *Outline of the Development of Czechoslovak Currency*

By Dr. KAREL ENGLIŠ.

## I. PROBLEM OF THE CURRENCY AT THE TIME OF THE REVOLUTION.

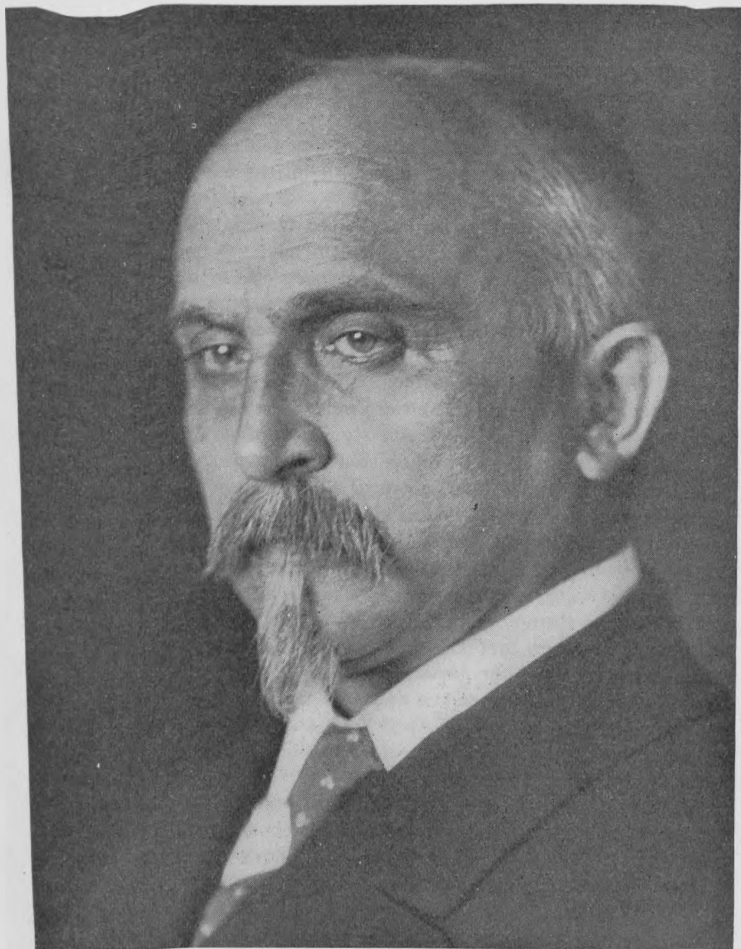
On the collapse of the Austro-Hungarian Monarchy Czechoslovakia came into being as one of the Succession States. The new State continued to have the joint "Austro-Hungarian" currency in common with the other Succession States. The bank notes of the Austro-Hungarian Bank circulated in all these States. The administrative centres of this still common currency were, however, in Vienna and in Budapest, that is to say, in the new Austria and the new Hungary. At the close of the War the total circulation was approximately 30,000,000,000 Kronen. In Austria and in Hungary the policy of inflation was continued, and the State expenditure met by the printing of bank notes. The consequences, however, in view of the technical community of currency, overflowed, as it were, into Czechoslovakia. First of all, for example, the inflation had produced a rise of prices in Austria, and when the inflation bank notes were carried across the frontier they possessed a greater purchasing power in Czechoslovakia. There was thus a tendency to smuggle bank notes on a big scale into Czechoslovakia, and this was further encouraged by the expectation that there would be a severance of currencies, and that the bank notes in Czechoslovakia would have a better fate than those outside. The efforts of Czechoslovakia's first Minister of Finance, Dr. Rašín, to check inflation in Vienna and Budapest were without avail. It was therefore at least forbidden to the branches of the Austro-Hungarian Bank on Czechoslovak territory to make advances on War loans or to accept them in payment of taxes. These were being pushed into Czechoslovakia from abroad, indeed, even small money was being carried in considerable quantities into the Republic. Increased caution was therefore essential at the customs frontiers. The exchange rate of the crown (Krone) at that time, according to Swiss quotation which was then the standard quotation, was one-fourth its pre-War value, but Praha had already begun to quote differently and more favourably, although the currency had not yet been severed. Within Czechoslovak territories



there was in circulation, apart from cheque accounts and treasury bills of the Austro-Hungarian Bank, 8,000,000,000 crowns, or, inclusive of those accounts and bills, 10,000,000,000 crowns. There was much hoarding, but also the banks had a super-abundance of money, interest on deposits had dropped to 1% and even lower, and some institutions were unwilling to accept deposits, having no use to make of them. As at the outset there was no currency centre, and as the circulation was wholly inelastic a law was passed on the 19th of November 1918 (No. 49 in the Collection of Laws and Decrees) concerning commercial media of payment. Under the terms of this Act the Zemská Bank was provisionally empowered to carry out the functions of a Bank of Issue, and according to commercial needs supplement the currency by the issue of new bank notes. This issue, however, did not take place, for in the meantime the currency was severed and a Bank Office attached to the Ministry of Finance was established. A circulation (including cheque accounts and treasury bills) of 10,000,000,000 crowns on Czechoslovak territory was excessive for the then rate of exchange of the monetary unit and for prices corresponding to that rate. Much hoarding withheld money from the market, but there was a danger that should these sums descend upon it, the currency—the value of which was reflected in the rate and in the cost-of-living prices—would be depreciated further. Just as everywhere else it was only a considerable time after inflation of the currency that an inflation of prices ensued.

## II. PERIOD OF DECREES. SEVERANCE OF THE CURRENCY. RAŠÍN'S CONCEPTION OF CURRENCY REFORM. 1918-19.

It was the general conviction that Czechoslovakia must have a currency of her own. That was self-evident, a logical outcome of the independence of the Czechoslovak State. The currency, indirect taxes, a production and economic policy and a customs policy are all so closely linked up with one another that a State which wishes to pursue an economic and financial policy of its own must also possess its own currency. The severance of the currency became daily more urgent, for in Vienna and Budapest the outflow of bank notes continued. These inflated notes were used to cover the deficits of the two States issuing them, and they entered the circulation by way of advances on War loans, advances which had been put an end to in Czechoslovakia. Serious consideration was given to the technical problem presented by currency severance, for we were



† Dr. ALOIS RAŠÍN,  
FIRST MINISTER OF FINANCE, CREATOR OF THE CZECHOSLOVAK  
CURRENCY.

not equipped for the printing of new and perfect bank notes—a matter of importance especially in the case of bank notes of high denominations—and orders in America, though promptly given, could not be executed in time. It was therefore necessary to continue to make use of the bank notes of the Austro-Hungarian Bank, and to distinguish them from those circulating outside Czechoslovakia. This was done by pasting stamps on them, or, in the case of the higher denominations, over-printing them.

Czechoslovak currency was introduced in due form by the Act of Parliament of 10th April 1919 (No. 187 in the Collection of Laws and Decrees). The severance of the currency was legally carried out under an enabling Act of the 25th February 1919 (No. 84 in the Collection of Laws and Decrees). Despite the admirable energy and care with which the severance was effected, speculation took advantage of some technical shortcomings to expand the Czechoslovak circulation. In face of prohibitions and restrictions, 1-crown and 2-crown notes which had not been stamped entered the country in considerable quantities before they could be replaced by a new issue, which was not long in forthcoming. The stamps, which were of various types even for the same bank note and of shades of type undistinguishable for the non-expert, were imitated. It was mostly private persons, unacquainted with the facts of the case, who suffered by the forgery of these stamps. On the whole, however, it may be said that the stamping was a fine, disciplined procedure, especially when we remember that Dr. Rašín associated with the severance of the currency a further measure, namely, a reduction of the circulation. After the severance the national currency was introduced in due form by the Act of 10th April 1919, the monetary unit was designated the Czechoslovak crown (Kč), but its content was not defined in metal.

Dr. Rašín incorporated the stamping measure in his general conception of currency adjustment for Czechoslovakia. The underlying idea of this conception was a partly sudden and partly gradual appreciation of the value of the monetary unit until it should attain the pre-War level. The sudden improvement was to be accomplished by reducing the circulation. Therefore, on the occasion of the stamping, one-half of the private holdings of bank notes was withheld and converted into 1% inalienable State bonds. At the first stamping 7,157,721,070 crowns were submitted for stamping. Of this the private holdings totalled 5,149,057,470, and 2,452,385,117 were withheld. Of this last-named sum it was necessary to restore small amounts and

certain sums in important cases. The total thus returned was 815 millions. The amount, therefore that was withheld was in practice not one-half but merely one-fifth of the total circulation. Cheque accounts and treasury bills remained blocked lest they should bring about a further increase of the circulation as fixed at the stamping. At this time, it is true, the rate of the Kč temporarily rose abroad, but the price level at home did not fall after the restriction. The exchange rate abroad was unable to lower the home level of prices since, at the then state of the balance of payments and lack of reserves on the part of the Bank Office, it was itself unstable—as was proved by its development after the stamping as the year went on—and the restriction of the circulation could not of itself reduce the level of prices since there had been no change either in incomes (salaries, wages) which were paid in full, or in production. The restriction of the circulation could, above all, have brought about a scarcity in the money market. But even this did not happen. Those who feared this went on the assumption that a whole half of the circulation was being withheld, but the fact was that only one-fifth was withheld. Even this one-fifth, however, could have had a very critical effect if industry at that time had not been in a transition stage between war and peace production, that is, in a state of crisis and without any need of money, and if there had not been the extent of hoarding that there was. The restriction thus had no generally critical but only an individually critical effect.

If the appreciation of the currency was not achieved in this way, another effect was attained and one of immense importance for the administration of the currency, namely, the influence of the Bank Office on the circulation, an influence which had not existed so long as the great surplus of circulation was firmly incorporated in the country's economy. At a moment of economic depression, when there was but a comparatively small demand for circulation, the circulation had been reduced on the occasion of the stamping, but it was immediately again supplemented as employment in the industries improved, and now, however, by an elastic addition from the Bank of Issue for credit and discount, so that the Bank Office, by its discount activities, began to exercise an influence upon the circulation and the money market.

It is from the angle of this welcome effect that the methodically chosen means of attaining it should be appreciated, for the same effect could have been attained by the issue of an internal loan for the amount of the final amount of restriction, namely, 1,500,000,000 Kč,

which would at the same time have avoided the crisis resulting from withholding one-half of the private holdings of bank notes. This path was, however, not chosen, for a different object was aimed at, that, namely, of the appreciation of the monetary unit in the ideology of the theory of quantity.

The second scheme for exhausting the circulation and for gradually appreciating the currency was the capital levy. The legal enactment for this was not, it is true, passed until the year 1920, but simultaneously with the stamping, a census had been taken of all real and personal property, especially of securities and bank deposits. This extensive and laborious register was drawn up according to the category of property and then concentrated upon the individual subjects. It was the basis for the capital levy imposed according to the condition of things existing at the time of the making of the register, that is, the 1st March 1919. The capital levy was to be used to pay off the bank notes in circulation (Kč 8,015,000,000), the cheque account balances and treasury bills of the Austro-Hungarian Bank on Czechoslovak territory which really formed a component part of the circulation to the amount of Kč 2,084,000,000. It was necessary, further, to pay off out of the capital levy the 1% inalienable bonds issued on withholding bank-notes on the occasion of the stamping, and finally, payment out of the capital levy was to reduce the circulation of bank notes (in reality, State notes, since the entire bank note circulation at the time of the revolution became a State note circulation).

The aim of this further gradual reduction of the circulation was by degrees to appreciate the monetary unit, and in the case of property to reduce the system of bloated values which had resulted from a low monetary unit. This aim was not, it is true, attained, but the capital levy was not on that account without its value. The exchange rate of the currency and its domestic value developed both up and down quite independently of the falling circulation, as we shall still show, so that once more confirmation was forthcoming of the fact that in the presence of great hoarding and surplus circulation it is impossible to appreciate the currency by means of restriction. The capital levy was, however, useful for many reasons. In the first place it checked further inflation which would have set in if the owners of cheque accounts and of treasury bills had demanded payment in cash. And it was necessary all the same to meet their legal claims. They were settled without any change in the circulation out of the capital levy in current fashion by applying the bank notes which

came in on account of capital levy to the payment of cheque accounts and treasury bills. In so far as the capital levy was thus applied, the circulation remained, it is true, unchanged, but its expansion was prevented. The capital levy was also applied to make good the injustices which had occurred in individual cases on withholding one-half of the bank notes on the occasion of the stamping. The reduction in the circulation achieved by the withholding of this half had been achieved at the cost of chance holders and according to the extent of this chance possession. It must not be forgotten that in the course of the week in which the stamping was carried out, tradespeople had had to go on selling their wares and the public, anxious to avoid the menacing withholding of one-half of their stock of bank notes, bought whatever they could.

Supplies of goods were thus converted in ready money. It would therefore have been unjust to settle the essential problem of reducing the circulation—which meant loss for those affected—according to the mere chance holding of bank notes. It was a matter, then, on the occasion of the stamping, merely of anticipation, and by means of the capital levy the restriction was distributed precisely according to property when the 1% bonds dating from the time of stamping were paid off out of the capital levy, or when they were simply applied to the payment of that levy. The capital levy, thus applied, again did not reduce the circulation, it only distributed the restriction made at the time of stamping according to actual possession of property as opposed to the chance possession of paper money. It was only the amount which the capital levy produced over and above what was required for these purposes that represented a further, effective reduction of the circulation. This reduction was expedient, not, it is true, for the purpose of appreciating the monetary unit but because the structure of the circulation was not right; far too considerable proportion of it was firmly and inelastically incorporated in actual circulation and only an insignificant proportion in circulation by means of Bank Office credit on discount. Elasticity of the circulation demands that the bigger proportion of the circulation should depend upon the discount of the Bank of Issue. It was therefore necessary in advance to reduce the circulation constituting the State note debt, so that it could be supplemented according to requirements by commercial banking cover.

If we study the results achieved by the capital levy, the question at once arises of its expediency. When we remember that the debts which the State contracted later in the years 1922-1925 as a con-

sequence of appreciation of the currency, exceeded the yield of the capital levy up to the year 1928, the idea would seem justified that the same result could have been attained by an internal loan which it would have been possible to pay off out of current receipts, for it is certain that the capital levy caused much disturbance and acted as a brake upon revenue for the future. It blocked the operation of tax administration, it made the collection of current taxation difficult, and its belated assessment and collection was later (after the rise in the rate of exchange in 1922, when the taxpayers were less capable of paying) connected with losses of millions to the State. The method of a capital levy—and particularly the levy on increment connected with it—had, however, one function which no loan could have performed, namely a social function — the function of undoing the unjust shifts in ownership of property that had been caused by the War, and of introducing a sound social, that is, a more equal, distribution of property generally. We have no millionaires, but we have a strong middle-class.

Within this period fall several measures for the protection of the currency, such as the establishment of a central Exchange Office for regulation of the exchange market (in view of the country's unfavourable balance of payments it was impossible to permit of an uncontrolled market), the establishment of an Import and Export Commission which, in practically analogous fashion (in addition to ensuring domestic requirements) regulated the balance of trade, the adjustment and disentanglement of mutual private claims between the Czechoslovak State and the territories of the other States which had arisen on the soil of the old Austria-Hungary, and other matters.

This first period is noteworthy from the financial angle that it saw the drafting of the first Budget and the securing of credits for current deficits and for essential imports.

### III. EFFORTS FOR FINANCIAL AND ECONOMIC EQUILIBRIUM, 1919-1921.

As already stated, all the technical measures by means of which Czechoslovak currency was made independent, and by which it was reduced, did not save the currency from further decline, though without those measures the decline would certainly have been greater. The continued decline in the currency had its cause in the fact that economic and financial equilibrium did not exist in Czech-



slovakia at that time. The lack of economic equilibrium was reflected in an adverse trade balance and an adverse balance of payments. The financial deficit did not, it is true, lead direct to inflation of the circulation, since the Bank Office was forbidden to make advances to the State, but the floating debt of the State led at a time of scarcity none the less to an indirect inflation in that the banks advanced money to the State on treasury bills, and this money they secured by getting advances on these treasury bills from the Bank Office. Moreover the Bank Office did not possess sufficient reserves in gold and foreign exchange to enable it to offset the temporary deficit in the balance of payments, so that even a small deficit, in the absence of aid, sent the exchange rate down. It therefore became necessary to supplement the technical exchange measures of the first period with measures designed to produce the material conditions for a sound currency, namely economic equilibrium (as reflected in a real balance of payments), financial equilibrium, and adequate reserves in possession of the Bank of Issue.

The regulation of foreign trade (by the Import and Export Commission) was unable of itself to bring about the required equilibrium, for economic conditions were too strong, and, as already said, big imports of foodstuffs and raw materials were needed, and these were purchased on credit. Conditions, however, very quickly took a turn, the exchange rate of the crown declined consistently and in February 1920 had fallen to its lowest point of 5 Swiss centimes. The declining exchange gave an impulse to export trade, for the acquisition of foreign currency by means of exports promised, in view of the rising value of that currency, growing profits at home. The rise in the system of economic figures parallel with the weakening currency proved an inspiration to Czechoslovak production, and thus the economic crisis was rapidly converted into a boom which reached its culminating point in 1921, when the country's foreign trade closed with a favourable balance of 4878 million crowns. This economic turn of the tide affected the currency in its turn. The favourable balance of trade and favourable balance of payments raised the exchange rate of the currency in the Summer of 1920 to round about 13 Swiss centimes; then the rate moved round 10 centimes, and temporarily in the Autumn of 1921 dropped below 6 centimes. This was at the time of the attempt at a Habsburg restoration in Hungary, and thus the reasons for the drop were political. The rise in the currency had, it was true, damped speculation but it had not caused a crisis, since the system of economic figures had

indeed risen as the rate of exchange fell, but more gradually so, and never rose to the same extent as the temporary drop in the currency, as was the case in countries where prices of daily necessities were fixed according to the rate of the dollar, or calculations were allowed at home in dollar parity. Economic equilibrium required only stability of currency, and in October 1920 the Government presented to Parliament a Bill which provided that the export profits from sugar should go to form a reserve for the Bank Office. In this Bill of the year 1920 the Government took its stand for a policy of currency stabilisation. The Bill did not become law, and the export profits from sugar were used to cheapen the price of cereals.

While the cause of the crisis after the revolution was to be sought in the fact that the public bodies were faced with reduced economic sources and with increased post-War tasks, the later crisis had its origin in the decline of the currency. The growth of economic prices when the currency fell rapidly swelled out the State Budget. The prices paid by the State for the properties it purchased, expanded its material expenditure, and the rise in the cost of living compelled the Government to readjust the pay of the civil servants and thus increased the expenditure on personnel. The state of need in which the State finances found themselves—for they were unable to satisfy the State employees fully—led to a general lowering of pay, for it could not be allowed that abundance on the part of some sections of the people should be purchased at the cost of distress and want among others. To meet deficits by means of credit had become more difficult, for the abundance of money existing at the time of the revolution had disappeared, partly through the currency restriction as a result of measures of currency technique, and also because, as economic prices rose and the value of the monetary unit declined, the position of the circulation became strained, and finally because the boom in business had made increased demands on the capital market. There was thus not much hope of a successful issue of normal credit.

By means of a series of credit and taxation measures the finance authorities were successfully supported and the finances of the State put in order. The Budget for 1921 was split up into two sections, an ordinary administrative budget and a productive investment budget, in order that the permissible extent of credit could be found. The Government went on the principle that only investments, and not the current administrative expenditure, could be met by means of credit. In that Budget was included the administrative buildings,

the erection of which depended upon the requisite credit being secured. The results were much more favourable than had been expected. The final accounts showed that there was a considerable surplus even after meeting the cost of the investments.

#### IV. THE DEFLATION PERIOD, 1922-1925.

In the year 1921 the currency and financial crisis was overcome. The collapse of the currency was avoided, even if the currency had not yet been stabilized. The financial collapse of the local government bodies had been averted, although the system of taxation was not very fastidious, was casuistic, and for normal times insupportable.

The excellent financial situation and the favourable trade balance and balance of payments revived the fundamental idea of Rašín's conception—the appreciation of the monetary unit—an idea which had in the meantime been abandoned, since it had been seen that appreciation could not be achieved by restriction of circulation, and anxieties about economic and financial equilibrium had scared away the effort at currency appreciation, for the principal matter had been to save the currency from the catastrophe that threatened it. There was even a change in the Government system. Simultaneously the neighbouring currencies had collapsed and capital from those countries fled to Czechoslovakia, seeking safety in a currency which it was believed was on the up grade. This further strengthened the balance of payments. The financial authorities, again following the line of moderate deflation, secured big foreign credits, which were not really essential for internal purposes, and on unfavourable terms (the 8% Sterling and Dollar Loan of 1922, comprising £ 3,300,000 and \$ 14,000,000). The favourable state of the balance of payments forced the Kč up, and the Bank Office, which had given the impulse to this advance while the Kč was as yet undervalued—its rate being lower than the level corresponding to the domestic system of economic figures—did not hinder this further rise even when the exchange rate went above the natural level. In September 1922 the rate advanced to beyond 19 Swiss centimes, but before Christmas it collapsed, and it was only underpropped with great difficulty, for the exchange reserves of the Bank Office were exhausted, by the aid of short-term credits raised abroad. It was maintained on the 15 Swiss centimes level, but with great sacrifices. It was seen that the exchange rate of the Czechoslovak currency was an effective instrument for currency appreciation of an extent unattainable by a quantitative adjustment of the circulation. At the same time it

was seen that appreciation has its limits, and that appreciation on a peace-time level, in complicated credit and money conditions, that is, in a mature financial system, cannot be carried out if the currency once drops so low and if, under the regime of a depreciated currency, deposits and credits have been constituted which form a major proportion of the sum total of deposits and credits. While the natural rate of exchange answering to the domestic system of economic figures was approximately 10 centimes (the home economic system had not to be first accommodated to this course) the appreciation was about 50%, that is 5% of peace time value, and just those 5 points were accompanied by very serious features. What then were the sacrifices caused by this appreciation?

As the rate of exchange rose speculation took up the Kč and forced it ever higher. The gains of this speculation were a pure sacrifice on the part of Czechoslovakia's economy. They represented for the most part the losses of the Bank Office which maintained the high rate. At this heightened rate foreign competition exerted pressure upon home prices which dropped sharply. If the exchange rate rose by 50%, these prices had to drop by 30% if the rate was to be maintained. These were positive losses for holders of supplies and for those persons who had invested at a higher rate. They had been previously urged to work on stock so as to check unemployment, and had been compelled to make productive investments in order to pass from wartime to peace production. These losses on supplies in hand were unimportant in cases in which the goods had not been made on borrowed money, for though they had to be sold off cheaply they had been produced cheaply. In cases where they had been produced on credit the matter was unfortunate, for the value of the supplies fell but the cost of the credit did not. Even those undertakings that were burdened with investment credits were in bad case, for the interest and amortisation were a relatively heavy burden on production when the prices of the products had fallen. Financial capital was appreciated and exerted pressure upon production. These undertakings struggled to reduce the component costs of production, wages, etc., so as to be able to continue output and dispose of their goods at the reduced prices. Undertakings that were in debt failed to accomplish this, for one component of production costs, interest and credit, refused to yield. Thus arose an industrial crisis, particularly in the export industry but also in the other branches, especially in those that had big debts. The trade balance became very unfavourable at a stroke, and exhausted the

stocks of exchange that had accrued from foreign loans. Speculation, too, seeing that there were no more gains to be made, demanded its money back. A flood of bankruptcy set in, not so much only in regard to post-War enterprises, but also old established concerns, if they were in debt. It was said that there was a superfluity of industrial undertakings, but concerns failed even in those branches where there was no superabundance. The extinction of enterprises, even if they be superfluous, is, however, no solution, for the workers still remain a problem. In the year 1923 the unemployment figure was 450,000. Failures in the enterprises carried the crisis to the financial institutions, and this resulted in the failure of several banks, and was reflected in runs upon others, so that no other course remained but to proceed with State assistance in the year 1924 to rehabilitate the rest. Some were assisted out of the "Sanitation Fund" which is fed by contributions from the banking world and the State, and issues "sanitation" bonds, so that the losses in practice are borne jointly and over a period of time. This was done by Act of Parliament No. 237 of the year 1924. Others were assisted by recognizing current accounts in the Vienna Post Office Savings Bank in such manner that these deposit accounts were declared to be War loans, although the only possibility was that they could be used for subscription to further War loans if such had been issued. This was done by the Act No. 216 of the year 1924 (§ 20). At the same time a law was passed tightening up the supervision over banks (Act No. 239 of 1924). It was necessary to proceed to an extensive writing off of arrears of taxation, which had remained uncollected because the financial authorities had been occupied by the capital levy. These arrears thus dated from the time of a depreciated crown and were now due to be paid in an appreciated crown. This writing off was accomplished by a law passed for that express purpose (No. 235 of 1924). Millions lost in industry and banking are not direct losses to the country's economy, for they signify, in the first place, shifts of ownership: economic loss sets in later when they act as a brake upon production. Restriction of production in a deflation crisis and its subsequent retardation is a direct injury to the general economy.

It is easy to understand that, in these circumstances, public, and especially the State, finances were overtaken by a fresh crisis. Incomes frequently collapsed of themselves. The railways had nothing to transport. The turnover and coal taxes fell away as production and circulation declined. The same applied to the transport taxes.

Even the excise and consumption duties drop in a crisis, and the direct taxes come in badly. Their direct decline is felt for a considerable period after a crisis. On the other hand, expenditure dropped but little. The internal debt was in no way lessened, indeed it was augmented by several milliards of floating debt raised to meet deficits. The burden of unemployment weighted heavily on the State. The need of alleviating the position of the industry enforced a reduction of the transport tax and the coal tax. The State finances were passing through a grave crisis. Nor was the case different with the local government bodies, who had suffered severely through the taxation alleviations provided for by the already cited Act of Parliament No. 235 of the year 1924.

The situation was thus one of great difficulty. There was a crisis in industry, a banking crisis, unemployment, a financial crisis, it was impossible to grant production exemptions from taxes, and yet it was essential to reduce the system of financial figures if the value of the money attained was to be maintained. The outcome was a big growth in the floating debt which compelled the financial authorities to turn to America for a loan at the close of the year 1925. The conditions were hard (subscription price 91, 2% commission, bonus on paying off 5%, and interest  $7\frac{1}{2}\%$ ), and, besides that, recognition had to be given to the War debt owing to America. The Bank Office, too, working with a borrowed reserve of exchange, had a hard time of it. The circulation again became unduly high for the reduced system of economic figures and prices, and the Bank Office controlled it less than it did prior to the deflation. The idea of further deflation was completely abandoned by an amendment (No. 102) passed in 1925 to the Bank of Issue Act of 1920 (No. 347). This Act provided for the stabilisation of the Kč according to its rate in undepreciated exchange during the preceding two years. It was thus not expressed in terms of gold, it was a nominal unit, and yet remained, on the whole, stable from the year 1923 when it had already been perceived that every centime of further rise could prove catastrophic. From that time the currency had continued completely stable and the financial policy of the succeeding period was based on the idea of currency stability now generally accepted. Only slowly did blood, as it were, flow back into the veins of the national economy, and financial conditions improved to the accompaniment of great pressure on production, so that the Budget of 1925 was the last Budget to show a deficit. The financial administration likewise declined and at the beginning of the year 1926 the financial depart-

ments had arrears of some 8 million cases to attend to. These arrears created a reserve for such times as it would be possible to place the public finances in permanent order.

In making a critical survey of this period we cannot avoid coming to the conviction that the policy of deflation was a mistake. It was supported by the most varied arguments of an unscientific nature. It was said that deflation would reduce the foreign debt, but it was overlooked that if we owe 1 million dollars we continue to owe them, whatever the rate of exchange of the Kč may be, for in the long run we pay them in merchandise according to world prices. It was contended that we should purchase cheaper abroad, but it was overlooked that we buy raw cotton in the long run not for crowns but, for example, for sugar at their price ratios, and that it is all one whether we buy cotton cheap and at the same time sell sugar cheap, or if the exchange takes place on a higher plane of figures. It was said that the rising rate of the Kč attracted foreign capital, but it was overlooked that foreign capital had made, through deflation, hundreds of millions at the expense of Czechoslovakia, and that the Republic must continue, as an export country, increasingly to make its way without foreign capital. It was contended that a rising value of the monetary unit gave an impulse to thrift, but it was overlooked that that could apply only for the period during which the exchange rate rose (that was the year 1922), and that at a time of crisis and reduced incomes there is not much to be saved, and that, when the currency is stable, the impulse falls away. It was said that the deflation crisis was a healthy process of elimination, as only the sound concerns survived. This is true, only that every centime of the exchange rate fixed a different criterion of soundness. Indeed, if the rate had continued to go up, not even the sound concerns would have survived in the end. It cannot always be said that concerns that work and make investment on credit, and have been adversely affected, were unsound. It is true that a period of unnaturally low rate of exchange aroused in industry, commerce, and banking an unhealthy spirit of speculation and spoiled, especially in banking, much character: it is true that it was necessary to eliminate this unhealthy moment, but stabilisation did not suffice for that, for stabilisation itself, after inflation, gives rise to crisis, as was seen in the case of Austria; it lops away, however, in truth only the rotten branches, whereas the opposite movement of currency affects even the healthy branches. It was asserted that deflation augments the national wealth, but it was overlooked that deposits and securities do not rank

with real values, but are only a key to its distribution. It was said that deflation would help pre-War savers who had suffered through the depreciation of the currency, but it was overlooked that it helped them very little (5% of peace time value) at the cost of disproportionately big sacrifices, for the reason that Wartime capital and post-War capital appreciated much more in proportion. By means of a small fraction of the State debt that accrued from deflation much more could have been done for the old pre-War savers. It was contended that the crisis would lead to economisation in undertakings, but it was overlooked that while we certainly urgently needed economisation in industry we did not need to pay an increased share of capital, thus bringing it about that one component of production costs should grow at the cost of another, but we needed to reduce the entire cost of production and prices in the interest of the consumer and of capacity to compete. The countries which did not fritter away economisation for the appreciation of financial capital got the lead of Czechoslovakia. It was said that Czechoslovakia could not carry through stabilisation without deflation, and it was overlooked that it would have been much easier from the technical, economic and financial angle, and to the accompaniment of a smaller crisis, to stabilize 10 centimes than 15. There were people who declared that Czechoslovakia, being a small country, could not check the rise in the exchange rate of her currency, and overlooked the fact that to check a rise is a purely technical matter, but that to check a decline demands economic and financial equilibrium, and adequate reserves at the Bank of Issue. There was no going back, however, and nothing remained but to seek ways and means of ensuring a stabilised rate of exchange and of restoring economic and financial equilibrium.

## V.

### THE PERIOD OF CONSOLIDATION, 1926-1930.

The financial and economic problem presented itself at the close of 1925 as follows: Deflation had decapitalised industry and brought it to increased dependence on the banks. It suffered from an overburden of financial capital and of public charges, since the system of financial figures had not been reduced in the same measure as the currency had risen. Deflation thus caused a relative increase in public burdens, and an appreciation in customs duties, and intensified the customs obstacles especially for industry and agriculture. The first task to be tackled, then, was to reduce the burden represent-



ed by interest. By reducing rates of interest the effects of appreciation of financial capital were paralysed. To this end both positive and negative action were essential. On the positive side it was necessary to assist the creation of new capital, a process which was hindered in our case by excessive taxation of incomes and in particularly by the high surcharges. The aim of a reform of direct taxation which was made law in 1927 (Act of Parliament No. 76 in the Collection of Laws and Decrees) after indefatigable preparation, was to accelerate the creation of financial capital as well as of capital in the form of undertakings and their immoveable assets.

Taxation reform had accordingly to unify and codify the existing prescriptions relating to direct taxes, and to simplify the system of State and local government surcharges. For reasons of national economy it was essential to fix a maximum limit to the surcharges in favour of the local government bodies—a step which of necessity resulted in crisis for the parishes and districts which had expanded their expenditure out of proportion to the bases of their revenue. To underprop them, funds to which the State contributed were simultaneously established for the various Provinces—the subventions came largely from the yield of the tax on turnover—and the affairs of the parishes and districts were subordinated to the Provincial authorities. The Provinces, too, received State subventions to enable them to balance their budgets. Simultaneously with the taxation reform there was passed a measure introducing “stabilisation” balance-sheets, for it was necessary in the interests of parity of taxation and accurate calculation of yield to bring all balance-sheets, whose individual items issued from periods of divergent exchange rates to the uniform basis of the stabilised Kč. This was accomplished by an Act of Parliament (No. 78 in the Collection of Laws and Decrees of 1927). In positive fashion the State contributed to a consolidation of the money market by a rehabilitation of banking and efforts at its reorganisation. Far more intensively was the State able to influence the money market on the negative side in that it ceased to contract fresh debts. Since the close of the War the State had contracted nearly as much debt as the savings in the banks totalled, and had deprived private enterprise of that amount—a fact which was bound to lead to strained conditions in the money market and to increased rates of interest. At the close of 1925 the 6% categories of Government stock had declined in price by more than one-fifth. The fact that no fresh debts were being contracted but that the old debts were being amortised was bound to produce a turn

for the better. This proved actually the case, the State ceased to contract debt, easy conditions appeared in the money market, rates of interest declined, and the quotation of the Government stock referred to rose within two years to 100. This development in the money market enabled the State to refrain from raising foreign credits, and made it practically impossible for the local authorities also to do so. A State so dependent upon export trade as Czechoslovakia is cannot live on foreign capital, but must, on the contrary, afford credit to other countries—and the first step towards this is to manage without foreign credit. In the home money market Czechoslovakia was successful in consolidating a substantial portion of her floating debt which had become so menacing that, as already stated it had become necessary at the close of 1925 to contract an American loan on burdensome terms to this end. In 1928 this loan was already converted at home. A favourable trend in the money market made it possible gradually to convert the floating debt, so that the burden of interest dropped sharply as the debts were gradually paid off. For the further planwise consolidation of Czechoslovak banking and its management an enactment was projected for new banking regulations, but this law was not effected until later during the World crisis when the question of appreciated debts once more opened up the problem of rates of interest. The betterment in the money market started as it were the wheels of economic activity, and the economic crisis which had dragged on in Czechoslovakia since the year 1922 developed in the middle of 1927 into an economic upswing.

In this period of consolidation the currency ceased to disturb the course of public finances, for a stabilised currency was already anticipated. The control of the paper circulation was entrusted to the newly-constituted National Bank, a joint-stock company with a capital of 12 million U.S. dollars, which came into being in the Spring of 1926. In 1927 an agreement was concluded between the State and the National Bank for the redemption of the State-note debt which had already dropped to less than half of its original amount. This agreement provided that the Bank of Issue, on the expiry of the character bestowed on the National Bank for a term of 15 years should dominate the circulation to the extent of one-third, and should possess adequate reserves of gold and foreign exchange for normal control of the currency. In the meantime the growing reserve was checked temporarily by the opening of a dollar credit. Even here developments tended automatically to a normal condition of affairs.

## VI. THE WORLD CRISIS.

In 1929 Czechoslovakia adopted a gold currency. Prior to that the monetary unit was not expressed in any metal parity, and it was only an abstract duty that was laid upon the Bank of Issue to maintain the stability of the Kč exchange. It was merely stated in the preamble to the relative law that stability was to be understood in relation to Western exchanges, notably the Pound Sterling and the Dollar. For a number of years the Kč exchange had been absolutely steady and firm in that relation and there had never been felt the slightest need to express the currency unit in terms of metal. There was considerable opposition in the country to any formal, legal linking up of the currency to gold, for it was pointed out that during the War and afterwards gold had depreciated, as was apparent on the one hand from the exchange relation between gold and silver, and on the other from the general rise of prices in America where there was a fully gold currency, that the return flow of gold (during the War gold had flowed into America to pay for the imports of war materials and foodstuffs) on its remonetisation in Europe had provoked also the opposite shift in the value of gold, namely, its reappreciation, and that this process necessary called forth in countries with gold currencies, a general deflation, that is gold deflation. None the less, in 1929 Czechoslovakia liked up her currency with gold on the ground that this step was necessary for the country's participation in the Bank for International Payments. This occurred at a time when States first began to abandon the gold standard, and when, after the world moved over (at the instance of France) from a currency of gold exchange to a purely gold currency, the first deflational consequences began to make themselves felt through a collapse of credit and then of prices. Czechoslovakia was thus drawn into the new process of deflation, from which England, and following her a number of countries of the Sterling bloc saved themselves (after the deflation failure) by abandoning the gold standard. America followed suit in her own fashion. In the London market gold was a non-currency substance, the value of which found expression in its price, and this price rose with the stability of other prices expressed in the paper pound sterling. Gold therefore, was thus at a premium as against the paper pound, which was not the outcome of a decline in the value of the paper pound, the value of gold being stable (prices did not rise with the agio) but a consequence of the appreciation of gold while the paper pound sterling

remained stable. The gold *bloc* countries, in these circumstances, experienced a pressure on their price-level, for in their case the increased value of gold could only express itself in a general decline of prices. This appreciation of the gold monetary unit brought about by the decline in the system of economic figures—in short, deflation—caused a grave internal crisis, for a drop in prices is in conflict with a whole system of inelastic economic elements, particularly debts, wages and inelastic taxes. As long, however, as the deflation process was not completed there existed a disparity between the external and internal purchasing power of the currency unit which acted as a brake upon export but as a stimulant upon import, that is to say, unfavourably upon the trade balance and balance of payments, with the additional consequence that gold was leaving the country. To put an end to a process of deflation is, however, difficult, indeed impossible on account of internal disturbances, and so all the gold countries, unable to accommodate themselves to deflation, protected their balance of payments at first by increasing their customs duties, and then by establishing quotas, the licencing system, and the like. In this way they diminished external pressure upon their balance of payments, checked further deflation, but failed to eliminate the real causes of the unhealthy state of affairs, that is, the disparity between the external and the internal purchasing power of their gold currency unit. Their systems of economy found themselves in a state of paralysis, they could not stand up against foreign competition, import trade showed monopoly-like profits, and the volume of international commodity exchanges shrank. Some countries with a big export trade, like Czechoslovakia, felt the crisis in the form of a collapse of export trade, others, like Switzerland, in the form of a complete collapse of tourist traffic. Some restricted themselves merely to a regulation of the commercial items of their balance of payments, without restricting gold exports, as France for example, while others extended their control over the other items of the balance of payments, introduced an exchange regime, and had a gold currency only in the sense that they maintained the exchange rate of their currency at gold parity. This was the case with Czechoslovakia.

Czechoslovakia was thus drawn into the vortex of gold deflation, which was not, it is true, at once recognized. The consumers welcomed the drop in prices as cheapness, and public opinion assisted in this. When it was seen, however, that production was impossible at the declining prices, so long as the inelastic components of the

costs of production were not accommodated to prices, and that it was essential to make proportionate reductions in salaries, wages, public charges, and rates of interest (if part of the debt and deposits could not be written off) all classes realised the harmful character of the deflation process. Czechoslovakia, by reason of her experiences in 1922, grasped sooner than the other countries of the gold bloc the fact that it was a matter of a deflation process, the consistent carrying out of which would in the end benefit only financial capital and would cause immense injury to the country's whole economy. She therefore decided in 1934 to solve her problem by a one-sixth devaluation of the gold Kč. She was thus spared the remainder of the deflation process—its most difficult part—; the disparity between the external and internal purchasing power of the currency was eliminated, and the exchange rate of the currency secured a natural basis. This step was successful in so far as the level of prices at home after the devaluation remained unchanged and as all the symptoms characteristic of the economic development of the country, which up to the devaluation had followed the line of decline and weakness, manifested after the devaluation a line of stability and gradual advance. This was seen in the volume of export trade, in the number of employed persons, in the railway traffic figures, in the total of bank deposits, in the revenue, and in fact everywhere.

On the new stable basis it was possible to restore internal economic activities both private and public. First of all it was essential to restore the liquidity of the money market which, prior to the devaluation, had declined as a consequence of lack of confidence in the currency and in the mobility of the financial institutions. This had manifested itself partly in a big flight of capital beyond the frontiers, and partly in much hoarding at home, in tension in the stock market, in the impossibility of disposing of Government stock, and in the suspension of the payment out of deposits by small popular banks. This unhappy condition of affairs was successfully and completely altered after the devaluation. Confidence was restored in a currency placed on a natural basis. The stocks of foreign exchange were augmented by a conscription and calling in of Western foreign securities held by bondholders in Czechoslovakia. By this means the internal money market was helped. There was also established a Czechoslovak Rediscount and Lombard Institute to which all banks and insurance institutions contributed a portion of their new capital to form a cumulative fund by the aid of which this Institute may assist

in the mobilisation of the individual banks. The initial activities of the Rediscount Institute were supported by the State and the Bank of Issue; as it was a matter of confidence, relatively small means sufficed to restore complete mobility to the entire banking system, and hoarded money returned en masse to the money market. Mobility was restored to Government stock thanks to the readiness of a consortium of the big banking institutions to collaborate in the sale and purchase of State loans and in the creation of a genuine market for these securities. The liquidity of State securities also improved the mobility of institutions which have their funds invested largely in such stock. A short-term money market was completed by the introduction of short-term Bourse advances on Government stock. The Bank of Issue needed the creation of a short-term money market in order to have an index for the need of completing the internal bank note circulation, since the regulator hitherto functioning automatically, the commercial bill, was steadily falling away. All these steps succeeded not only in eliminating the existing non-liquidity and stringency in the money market, but also in calling forth, from the hoarded sums and the monies repatriated from abroad, a big abundance that led to a recovery in the price of investment stock as well as of shares, and which, on the one hand, enabled a general reduction of rates of interest to be carried out, and, on the other hand, a big conversion of the entire State debt to be made (on a 3% and 4½% basis). This abundance of money facilitated State credit operations which during the crisis had, apart from the Employment Loan, had to rely on short-term Treasury Bills. The need of a big State credit arose in smaller measure from the deficits in current administration, but to a larger extent from the requirements for the defence of the country. In 1936 an ordinary issue of a National Defence Loan proved a success and produced 3,500 million crowns.

The natural upward trend in Czechoslovakia's economic situation on the devaluation basis of 1934 was rudely interrupted by the collapse of the gold *bloc* in 1936, when France, after arriving at an agreement with England and America touching joint action in the sphere of currency (stabilisation funds) decided to devalue the franc, and in this matter was followed by Switzerland and Holland (Belgium had devaluated a year after Czechoslovakia). The Czechoslovak Government saw in a general devaluation by the gold *bloc*—a devaluation that went further than the devaluation made by Czechoslovakia in 1934—a new situation for this country, and deemed it necessary that the Czechoslovak devaluation should be extended

so as to attain the measure by which France had devaluated. The devaluation of the year 1934 had reduced the gold content of the Kč from 44.58 milligrammes of fine gold to 37.15 milligrammes. The Act of 1936, following the French model, reduced the gold content of the Kč within the limits of 30.21 and 32.21 milligrammes of fine gold, and the Government, under the powers given it by law, simultaneously decreed that for the future the gold content of the Kč should be 31.21 milligrammes of fine gold. The distance of time is at present too short to enable the effects of this second devaluation to be assessed.

There remains to be mentioned, however, the fact that Czechoslovakia's relations in the sphere of commerce and payments are not exhausted by contacts with the gold currency countries, and with countries without gold currency but with free exchange, for a big proportion of Czechoslovakia's trade relations are with the neighbouring States in Central Europe, all of which adhere to a clearing system. The clearing system is a specific feature of countries that are in debt abroad, which have been adversely affected, on the one hand, by the appreciation of their debts expressed in gold and by the drop in the prices of the products by which they pay their debts in the world's markets, and on the other hand, by a general shrinkage of the possibilities of export, so that their currency and their balance of payments have been directly menaced. By means of the clearing system equilibrium in actual payments is achieved between country and country, for it is impossible to make transfers except through clearing. Export to clearing countries not infrequently appears advantageous, since in those countries good prices result as a consequence of the monopoly-like restriction of imports. If, however, the situation of the clearing accounts only allow of payment for exports after a lengthy interval, the interest lost swallows up the potential export profit, and if this state of affairs continues for any length of time, interest in further export trade flags and export slows up. In this connection Czechoslovakia in September 1936 had 2,170 million Kč of "frozen" assets in clearing abroad. This capital causes a lack of liquidity in the assets items of the Czechoslovak trade balance, and this is particularly unfavourable for the reason that we must import rawstuffs and pay our financial obligations in the West in either gold or free exchange. Up to the moment of the 1934 devaluation three-fifths of all Czechoslovakia's exports went to clearing countries and two-fifths to countries with gold currency or

free exchange. After the devaluation these proportions changed places within three years.

One of the obstacles in the way of Czechoslovak exports to the gold countries is the system of import control and especially the "quota" system obtaining there. It has already been shown above how the quotas of the gold *bloc* arose from the disparity of the price level there compared with the world price level, from which it follows that—if those countries by means of their devaluation in 1936 accommodated their price level to and linked it up with the world price level—there is no longer any reason for maintaining this system that restricts the international exchange of commodities, and that after the gold *bloc* devaluation in 1936 the world cherished the hope that that system would fall and free a path generally for the international exchange of commodities and other values. If this does not occur it is to be feared that the exclusion of foreign competition will once more raise prices and provoke a fresh disparity in place of that eliminated by the devaluation. More than that, for a restoration of freedom of payments and trade contacts among the clearing countries an adjustment of their international debts is essential.

The geographical and economic situation of Czechoslovakia causes the country in its economic activities much greater difficulties than is the case with other countries. It is, however, evidence of the inexhaustible inner strength of the country's economy that, under the guidance of a democratic regime, it has safely come through the world crisis without financial or social upheaval, and that throughout that entire period it has punctiliously fulfilled its financial obligations to the whole world.



# *Survey of Legislation Adjusting Czechoslovak Currency*

JUDr. JAROSLAV RUDOLF.

## I. PREPARATIONS FOR A SEPARATION OF CURRENCY.

Czechoslovakia entered the group of politically independent States with a currency shared by all the territories which belonged to the Austro-Hungarian Empire before its collapse. Since the Revolution it was certain that the currency would have to be abandoned. Inasmuch, however, as it was not possible to solve at once all the monetary questions, at least provisional measures were taken which aimed to prepare the ground for later adjustment. The Austro-Hungarian Bank, which during the war became almost the sole source of credit, originating, of course, only in its banknote printing plant, was requested to permit Czechoslovakia to have a special commissioner, not to grant the Succession States loans, and not to grant advances against war loans. When the Austro-Hungarian Bank failed to fulfill the last two demands, the Czechoslovak Republic decided to proceed independently: branches of the Austro-Hungarian Bank on Czechoslovak territory were forbidden to grant advances against war loans, or to pay war taxes by means of war loans. (Decree of the Czechoslovak National Council, dated November 2, 1918, No. 19 of the Collection of Laws and Decrees.) Law of November 5, 1918, No. 27 of the Collection of Laws and Decrees, promulgated the National Liberty Loan. On November 14, 1918, all branches of the Austro-Hungarian Bank on Czechoslovak territory were forbidden to make payments of cheque accounts to banks, except for payment of wages and salaries. On November 20, 1918, the Czechoslovak Postal Savings Bank was established.

Fearing a shortage of commercially elastic legal tender, a law was enacted on December 19, 1918, No. 49 of the Collection of Laws and Decrees, which provided for substitutional commercial currency, and authorized the Zemská Bank (Bank of the Province) to issue bills against its own bank treasury, commercially covered, which would be legally in circulation and exchangeable for banknotes. This legal tender was intended to be in circulation only temporarily, that is, for such time as economic conditions warranted, its maximum circulation to be four times the stock of banknotes of the Austro-

Hungarian Bank deposited at the Zemská Bank. Since the fears of a currency shortage did not materialize, these bills were not issued, and the material prepared for printing was turned over, in 1919, to the Banking Office of the Ministry of Finance.

The concentration of foreign currencies and distribution thereof, especially for commercial purposes, was entrusted, by decree of January 30, 1919, No. 47 of the Collection of Laws and Decrees, to an independent foreign exchange central, attached to the Praha Clearing Bank, for which the provisions of an Austrian decree, dated June 18, 1918, were applicable in principle. In connection with currency questions, mention should also be made of the Czechoslovak Import and Export Committee, organized by decree No. 43, dated November 22, 1918.

In order to prevent speculative transfers of claims and remittances in Austro-Hungarian crowns from abroad to Czechoslovakia, a Government decree was passed on February 6, 1919, whereby such transfers were forbidden, and if effected, they were declared as invalid. This decree was the first step taken toward a systematic adjustment of the currency.

## II. SEPARATION OF CURRENCY.

The currency was adjusted on the basis of a far-reaching enabling act, dated February 25, 1919, No. 84 of the Collection of Laws and Decrees, and by decree No. 86 of the same date, issued by the Ministry of Finance, providing for the stamping of banknotes of the Austro-Hungarian Bank which were in circulation on the territory of the Czechoslovak Republic.

The Czechoslovak crown was established as an independent monetary unit on February 25, 1919, at 12 midnight, when the frontiers of the Republic were closed. The stamping of the banknotes in circulation here was effected on March 3 to 9, and in Slovakia, on March 3 to 12, 1919.

With some exceptions, at the time of stamping one-half of the banknotes presented for stamping were retained as a state loan, bearing 1% interest and being irrevocable on the part of the creditor. Bills of this loan could be used for payment of property tax which was introduced in connection with the plan of currency adjustment by law of April 8, 1920, No. 309 of the Collection of Laws and Decrees, and intended primarily to settle the burdens assumed from the Austro-Hungarian Bank by the exchange of its stamped banknotes for Czechoslovak state notes. In order to prepare for the assess-

ment of this tax, all property was listed simultaneously with the stamping of the banknotes.

The bills which were not used for the payment of property tax were, from 1922, either paid in cash or used for the settlement of tax arrears.

Only banknotes from 10 crowns upwards were stamped. One and two-crown banknotes (as well as token coins) remained in circulation until they were replaced by state notes of 1 and 5 Kč denomination, provided for by law of September 24, 1919, No. 505 of the Collection of Laws and Decrees. On those territories which became part of the Czechoslovak Republic later, the currency was progressively replaced by Czechoslovak currency, and the law of February 10, 1921, No. 67 of the Collection of Laws and Decrees, proclaimed the latter as concluding the currency measures taken in accordance with law No. 84/1919 Collection of Laws and Decrees.

The legal consequences arising from stamping are contained in currency law No. 187, of April 10, 1919, which arranges in detail the administration of the currency. This law vests the Government with the right to issue currency and to mint coins. The Czechoslovak crown was established as a monetary unit, the stamped banknote becoming legal tender. Obligations due on the territory of the State were payable in Czechoslovak crowns, i. e., one Czechoslovak crown for every Austro-Hungarian crown, with the exception of claims of persons residing on the territory of former Austro-Hungary outside the territory of the Czechoslovak Republic. The total permissible circulation of state notes to be issued in replacement of the stamped banknotes, not fully covered, was determined, by law, at an exact figure, corresponding to the total of the stamped banknotes (including cheque accounts and treasury bills of the Austro-Hungarian Bank, which were issued by its branches located on Czechoslovak territory and which Czechoslovakia likewise took over). Thus, the printing of uncovered state notes was eliminated. The Minister of Finance was authorized to issue in replacement of the stamped banknotes new legal tender (state notes), intended to form a part of the temporary currency debt and to be in compulsory circulation. In order to acquire ample foreign currencies, there was floated, by law of February 25, 1919, No. 88 of the Collection of Laws and Decrees, simultaneously with the stamping of banknotes, a 4% foreign currency loan in gold, silver and foreign currencies, which was abrogated by a Notification of May 10, 1926, No. 65 of the Collection of Laws and Decrees. Beside this, decree No. 113 of March 6, 1919,

and law No. 143, of March 20, 1919, provided for a compulsory offer of foreign currencies as well as securities stated in certain currencies. Law No. 327, of June 11, 1919, called for a compulsory offer of balances abroad.

In order to control all of the measures passed in accordance with law No. 84/1919 Collection of Laws and Decrees, a special Parliamentary committee was formed, which sent its representative to the bank committee. When the Parliamentary committee was organized to deal with the property tax, in accordance with law No. 309/1920, the duties of the above-mentioned financial control committee were transferred to it, according to law of January 25, 1922, No. 35 of the Collection of Laws and Decrees.

### III. ADMINISTRATION OF CURRENCY.

#### A. Banking Office of the Ministry of Finance.

The law of March 6, 1919, No. 119 of the Collection of Laws and Decrees, provided for the organization of the Banking Office of the Ministry of Finance, the purpose of which was to administer the newly established currency, and which commenced activities on March 11, 1919. Government decree No. 246, of May 12, 1919, contains detailed regulations pertaining to its organization and business transactions. The Banking Office, which was a Government office, performed the duties of a Government bank of issue, but was not allowed to grant, directly or indirectly, credit to the State. The Banking Office was managed by a bank committee, with the Minister of Finance presiding.

From the very beginning the administration of the currency effected by the Banking Office of the Ministry of Finance was intended to be temporary, to be entrusted later at a suitable time to a bank of issue, the organization of which was already provided for by law No. 347, dated April 14, 1920. Although it was not until six years later that the Joint Stock Bank of Issue started activities, the importance of this law rested principally in the fact that already then steps were taken to entrust the administration of the currency to an independent joint stock bank, of course, with the participation and under the influence of the State.

The stamped banknotes were progressively replaced by Czechoslovak state notes, so that from July 21, 1920, only state notes were in circulation.

Austro-Hungarian token coins which temporarily continued to

be used as legal tender in Czechoslovakia were gradually exchanged for Czechoslovak coins, namely, by 20 and 50 heller coins, followed by one crown coins (laws of March 1, 1921, No. 94, and June 22, 1922, No. 195 of the Collection of Laws and Decrees). On December 5, 1924, all Austro-Hungarian token coins were withdrawn from circulation in Czechoslovakia. Law of June 22, 1928, No. 103 of the Collection of Laws and Decrees, which was the first to provide for a system of Czechoslovak token coins, was amended by law of June 9, 1932, No. 94 of the Collection of Laws and Decrees.

The separation of the Czechoslovak currency, brought about by the stamping of banknotes, necessitated the issuing of a number of measures for its protection.

Government decree of March 6, 1919, No. 113 of the Collection of Laws and Decrees, restricted remittances abroad and prohibited the export of money and the import of small banknotes (1 and 2 K), which were not stamped, and the acceptance of which was limited to 20 Kč by Government decree of May 12, 1919, No. 240. The import of unstamped banknotes was forbidden by Government decree No. 311/1919 Collection of Laws and Decrees. Inasmuch as existing penal regulations proved inadequate, a new law was enacted, dated May 22, 1919, No. 269 of the Collection of Laws and Decrees, which provided for rigorous sanctions against the counterfeiting of money.

The Czechoslovak Foreign Currency Central, mentioned above, controlled foreign currency transactions from the beginning of 1919 to April 26, 1920, when decree No. 644, of November 28, 1919, took effect, and whereby its duties were transferred to the Banking Office of the Ministry of Finance. At first, transactions in foreign currencies were completely restricted, being gradually, and in 1921 very substantially, released by the Banking Office. However, further development indicated that economic conditions would not warrant an additional release. On the contrary, at the end of 1925 it again became necessary to return to the system practiced before the release.

Effective protection against speculation in currency was afforded by law of December 14, 1923, No. 7 of the 1924 Collection of Laws and Decrees, regarding the protection of the Czechoslovak currency and the circulation of legal tender, which, beside prohibiting action which might impair the currency, authorized the Government to adjust transactions in foreign currencies, imports and exports thereof, etc., and to enact measures for the protection of an undisturbed circulation of legal tender. Later this law was revised several times, last in 1936 (law No. 183 of June 23, 1936).

In accordance with this law was issued Government decree No. 46, dated February 29, 1924, which formed a basis for foreign currency transactions (foreign currency regulations), with a necessarily rigid restriction of currency transactions, as well as Government decree No. 189 of August 29, 1924, regarding the protection of an undisturbed circulation of legal tender.

The Banking Office of the Ministry of Finance administered the Czechoslovak currency for a period of six years. In the results of its activities are reflected not only the economic and financial, but also the social and political, conditions of that period. During its activities, the rate of the Czechoslovak crown underwent frequent changes, until its stabilization at the beginning of 1923, which, appearing to be permanent and actual, led to a legal stabilization and to the taking over of the administration of the currency by the Joint Stock Bank of Issue, the basis for which was already afforded by law No. 347/1920 Collection of Laws and Decrees. It was necessary, however, to amend certain provisions of this law, as new conditions required it. This was brought about by law No. 102 of April 23, 1925, which authorized the Government to organize the National Bank of Czechoslovakia.

#### National Bank of Czechoslovakia.

With respect to currency, the most important stipulation of the amended law, No. 102/1925 Collection of Laws and Decrees, is the duty of the National Bank to maintain the relation of the Czechoslovak crown to leading foreign gold currencies on the level of the last two years. The indirect form of the parity of the Kč to gold was adopted principally because at that time it was not certain how small monetary units would be considered. The metal cover of banknotes was fixed at 20% of the banknote circulation and obligations immediately due, with a progressive annual increase by 1%, or up to 35%. For currency purposes, the possibility of a foreign loan up to 50 million American dollars was reckoned with. The Bank was given exclusive right for 15 years to issue banknotes.

In accordance with an announcement of the Ministry of Finance, dated April 1, 1926, No. 43 of the Collection of Laws and Decrees, the National Bank of Czechoslovakia commenced activities on April 1, 1926, legally retroactive as of January 1, 1926.

On February 2, 1927, an agreement was signed between the Government and the National Bank of Czechoslovakia regarding the

transfer of Government property (the Banking Office of the Ministry of Finance) to the Bank. The state notes issued to replace the stamped bank notes together with cheque accounts and treasury bills taken over from the Austro-Hungarian Bank comprised the state note debt of the State to the Bank. For the state note debt and the balance of transactions of the Banking Office of the Ministry of Finance taken over by the Bank solely for the purpose administration, the Government issued to the Bank a certificate of indebtedness in which it pledged itself to redeem the balance of the state note debt in such a manner as to make it possible for the Bank to control the circulation of banknotes, covering itself the shrinkage of uncovered currency by covered bank notes. The agreement was approved by the House of Deputies on March 29, 1927, and by the Senate, on March 30, 1927. The redemption of the state note debt was at first effected by regular compulsory payments (especially payments on property tax), later by larger payments from the funds accruing as a result of the liquidation of the silver coin account. The funds derived from the clearing of the account of 10 and 20 Kč banknotes, after those banknotes were declared as small by law No. 94/1932 Collection of Laws and Decrees, were also applied on account of the regular payments; in executing this law, the balance of transactions of the Banking Office of the Ministry of Finance, was also liquidated and placed under the administration of the State. In accordance with law No. 25 of February 17, 1934, the profits resulting from devaluation were likewise applied to the state note debt. The state note debt, originally amounting to 10,184,901,894.40 Kč, was placed at 5,085,269,145.83 Kč on December 31, 1935, and declined to 2,021,980,154 Kč at the end of 1936.

The favourable development of conditions led to the adoption of a more liberal attitude in regard to foreign exchange transactions, a complete release being effected on August 24, 1928, as provided by Government decree of December 28, 1928, No. 209 of the Collection of Laws and Decrees, and by announcement No. 210/1928.

Upon thus reaching the point in currency development which was considered desirable for the establishment of a direct relation of the monetary unit to gold, a measure was passed by the Permanent Committee, issued as No. 166 of the Collection of Laws and Decrees of November 7, 1929, whereby the gold content of the crown was placed at 44.58 milligrams pure gold; while the obligation to exchange banknotes for gold was stipulated at the same time, a Government decree was to specify the period when this should be effected. The metal cover was replaced by a gold cover (foreign currency)

The world economic depression manifesting itself by a slump in prices, which England endeavoured to combat by a departure from the gold standard, again led Czechoslovakia to restrict foreign currency transactions, Government decree No. 152, dated October 2, 1931, being issued for this purpose. Thus, Government decree No. 46/1924 Collection of Laws and Decrees, again became operative and was progressively supplemented or amended, depending upon the development of international conditions. A number of countries followed the example of England, other countries inaugurated foreign exchange restrictions, and others again, in addition to imposing restrictions, granted assistance to exports in various ways; the United States reduced the gold content of the dollar. The appreciation of gold—also of the gold contained in the Czechoslovak crown—was necessarily outwardly reflected, by its purchasing power, on the Czechoslovak monetary unit which depends upon gold.

Inasmuch as it was not possible fully to adapt the purchasing power of the crown at home to this appreciation, owing to the resistance of the inelastic components of production costs, the disparity between the purchasing power of the crown at home as well as abroad continued, and it was possible to remove it only by reducing the gold content of the Czechoslovak crown. This was effected by law No. 25 of February 17, 1934, which stipulated that the gold content of the Czechoslovak crown be reduced from the original 44.58 milligrams to 37.15 milligrams pure gold, or by  $1/6$ . The bank was prescribed an exclusively gold cover of 25%, this to consist only of minted or unminted gold. The increment in the value of the gold stock, resulting from the computation of the Czechoslovak crown on the basis of its new content, was applied to the state note debt i. e., on account of the payments which the Government pledged itself, by agreement of February 2, 1927, to effect.

In order to strengthen the stocks of foreign currencies of the National Bank of Czechoslovakia which were weakened by the events preceding the devaluation of the currency, a decree was passed, dated September 10, 1934, No. 202 of the Collection of Laws and Decrees, which provided for a compulsory listing (census) and surrender of foreign securities stated in foreign currencies, as well as of gold.

The collapse of the gold block in 1936 forced the Czechoslovak Government again to adapt the content of the monetary unit, already once reduced, to changed conditions. The law of October 9, 1936,



No. 226 of the Collection of Laws and Decrees, authorized the Government to establish the gold content of the Czechoslovak crown at between 30.21 and 32.21 milligrams of pure gold, so that the total reduction might be equal to the devaluation of the French franc. Thereupon, the Government, by decree No. 263 of the same date, decided to establish the relation of the Czechoslovak crown to gold firmly at 31.21 milligrams pure gold, thus creating a new financial and economic basis upon which Czechoslovak economy can develop further by a more extensive economic recovery and greater export possibilities, in the conviction that the currency measures of Czechoslovakia as well as of other countries can prove fully successful only if all obstacles to international relations are removed, toward which aim Czechoslovakia is willing to contribute in every possible way.



THE NATIONAL BANK  
OF CZECHOSLOVAKIA  
IN THE FIRST DECADE

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ORGANISATION AND ADMINISTRATION



# *Legal Structure, Administration and Business Management of the National Bank of Czechoslovakia*

By Dr. LADISLAV DVORÁK and Dr. VIKTOR KOPFSTEIN

The National Bank of Czechoslovakia is a joint-stock company which has the character of a public institution entrusted by the State with the duty of administering the Czechoslovak currency, and conducting certain credit transactions specifically laid down by law.

It was established according to the provisions of the Act of 14th April 1920 (No. 347 in the Collection of Laws and Decrees) as amended and supplemented by the Act of Parliament of 23rd April 1925 (No. 102 in the Collection of Laws and Decrees) by the Regulations of the Standing Committee of 7th November 1929 (No. 166 in the Collection of Laws and Decrees), and by the Act of 17th February 1934 (No. 25 in the Collection of Laws and Decrees). The Act of 1920 provided for the establishment of a joint-stock Bank of Issue, and, in so far as in the measures above cited there are no provisions to the contrary, the norms applying to joint-stock concerns generally apply to the National Bank. It is authorised to make use of the State coat-of-arms.

The share capital is Kč 405,000,000, divided into 120,000 indivisible shares, transferable by endorsement and of a nominal value of Kč 3375, registered in the name of the owner. One-third of the shares are held by the State.

The Central Administration of the Bank is in Praha, and its operations as conducted by the Head Office, its branches and sub-offices cover the entire territory of the Czechoslovak Republic.

The National Bank of Czechoslovakia has the exclusive right (privilege) of issuing bank-notes for the whole Czechoslovak State. This privilege was conferred upon it for a term of fifteen years from the day on which it commenced its functions, that is, from the 1st of April 1926 (Order of the Minister of Finance, No. 43 in the Collection of the Laws and Decrees of 1926). It is the Bank's duty to maintain the exchange value of bank-notes at the parity of Kč 1 = 31.21 milligrammes of fine gold, and to possess gold cover (gold coin and bullion) to the amount of at least 25% of the total bank-note circulation inclusive of all bills due at sight.

The National Bank has to see to the circulation of media of payment and its proper functioning in the State, to the granting of credits to commerce, trade, industry and agriculture, and to the establishment of clearing arrangements and the organisation and concentration of the receipts and the ready funds of the State. It is also entrusted, in the interest of an orderly credit system, with keeping a register of commercial credits throughout the whole country, and so long as business in foreign exchange and assets and payments abroad are blocked, it is entrusted with the conduct of this business and supervision over it.

The supreme control over the National Bank is exercised by the State authorities through a Government commissioner, or his deputy, nominated by the Government from the ranks of the staff of the Ministry of Finance. The Government commissioner has to convince himself that the National Bank in all its activities observes the laws and statutes, that it takes care of the interests of the State, and it is his duty, should this not be the case, to oppose every decision taken by the general meeting or by any of the other organs of the National Bank.

#### Administrative Organs.

At the head of the National Bank is its Governor who is appointed, on the nomination of the Government, by the President of the Republic for a term of five years, and who may, on the expiry of that term, be re-appointed. The Governor sees to it that the legal rights and duties of the Bank are observed and duly carried out, he has supreme supervision over the administration of the property and over the management of banking business, and directs the functions of all the organs of the Bank's administration whose decisions and resolutions are valid only after receiving his approval. The deputy-governor of the Bank is appointed by the President of the Republic from the ranks of the six elected members of the Board of the Bank.

The general meeting of the Bank is the mouthpiece and representative of the shareholders and of their rights. The general meetings are held in Praha: an ordinary general meeting not later than in February every year, and an extraordinary general meeting whenever the need for it arises.

Only Czechoslovak subjects who own at least ten shares duly registered in their names in the register of shareholders at least 90 days prior to the annual meeting and deposited not later than 20 days prior to the meeting at the Main Office, Praha, or at some



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GOVERNOR OF THE NATIONAL BANK OF CZECHOSLOVAKIA.

branch office of the National Bank, can take part in the general meeting.

The general meeting is presided over by the Governor or his deputy, or, if the attendance of neither is possible, by a member of the Board of the Bank nominated by the Governor. To enable the general meeting to make any decision a simple majority suffices unless the motion is one for the liquidation of the National Bank or a change in its statutes, in which cases a two-thirds majority is essential.

The decisions of the general meeting are valid only if they refer to matters of which the agenda was published at least 8 days prior to the general meeting in the same journals in which the summoning of the meeting is announced. The general meeting may decide that other motions put forward by the Bank Board may be discussed than those that appear on the agenda, but the general meeting cannot pass valid resolutions in regard to them. An ordinary general meeting usually hears the report of the Board and the audit committee on the past administrative year, approves of the accounts and passes a vote of confidence in the Board, elects members of the Board and of the audit committee, proposes changes in the statutes or an increase or reduction in the share capital, and finally votes on motions presented by the Board or on independent motions presented by shareholders attending the meeting, provided such motions have been submitted in due time, that is, 14 days before the general meeting, in writing with the reasons for submitting them, to the Governor. The discussions and resolutions of an extraordinary general meeting are as a rule determined by the particular reasons which caused it to be convoked.

Before the decisions of general meetings can take effect they need the approval of the Ministry of Finance.

#### The Bank Board.

The leading organ of the National Bank of Czechoslovakia is its Board of Directors at the head of which is the Governor. In addition to the Governor the Board is composed of 9 or 10 members. Six of the members are elected by the general meeting for a term of 6 years, while three members are appointed for the like period by the President of the Republic on the motion of the Government. A tenth member may be co-opted by the Board itself, with the consent of the Governor, for a term of two years. From the ranks of the six elected members of the Bank Board the President of the





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GENERAL MANAGER OF THE CENTRAL ASSOCIATION  
OF AGRICULTURAL COOPERATIVE SOCIETIES, PRAHA.  
VICE-GOVERNOR OF THE NATIONAL BANK OF CZECHOSLOVAKIA.

Republic on the motion of the Government, appoints the deputy-governor.

It is the function of the Board to administer the property of the National Bank of Czechoslovakia, to conduct all the business of the Bank, to supervise all transactions, and finally to have charge of currency policy.

For the more detailed carrying out of its duties the Bank Board is divided into three sections — an Exchange Section which has charge of exchange business and policy, a Credit Section, and an Administrative Section, the last-named of which also has charge of the printing of bank-notes. The distribution of the members of the Board among these three sections is made by the Governor who also appoints one of the members of the Board to preside over each section.

The Governor and the chairmen of the three sections just mentioned together form a Select Committee whose duty it is, on the one hand, to exercise the rights and carry out the decisions of the Bank Board, while on the other hand it is entitled to arrive at its own decisions in cases of necessity when there is not time enough to summon a meeting of the Board.

For a periodical examination of the position of the business of the Bank and of the property and funds of the Bank an Audit Committee of five members is elected by the general meeting of the shareholders for a term of 5 years. It is the duty of this Audit Committee also to examine the final accounts, the balance sheet, the profit and loss account, and to report on the same to the general meeting.

As an auxiliary organ for assessing the bills submitted for discounting, "censors" are appointed by the Bank Board in suitable numbers for each banking centre for a term of 6 years.

The main legal provisions concerning the administration of the Bank and its order of proceedings are the following:

The Governor presides over the general meeting, Bank Board or other organ at whose meeting he is present. He arranges for the carrying out of the decisions reached at the meetings of these bodies. In the name of the Bank Board he submits the annual report and accounts to the general meeting, and after the ordinary annual general meeting sends a written report to the legislative bodies on the activities of the National Bank for the past year, together with a report upon such questions and events as fall within the competence of a Bank of Issue and are of importance for the State. He gives



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MINISTER IN PLENIPOTENTIARY, FORMER GENERAL MANAGER  
OF THE PRAGUE MUNICIPAL SAVINGS BANK,  
FIRST GOVERNOR OF THE NATIONAL BANK OF CZECHOSLOVAKIA.



Dr. FRANTIŠEK PEROUTKA,  
*former Minister of Commerce,  
General Manager of the National  
Bank of Czechoslovakia.*



Dr. JAROSLAV RUDOLF,  
*Chief Departmental Counsellor,  
Ministry of Finance, Praha,  
Assistant Government Commissioner  
with the National Bank of Czecho-  
slovakia.*

his approval to the rules and regulations fixed by the Bank Board for the administration of the property of the Bank, for the conduct of and supervision over all its business. He sees that the laws touching the National Bank, its statutes and relative internal rules are observed. In the name of the Bank Board he supervises the administration of the property of, and the transactions conducted by the National Bank. He decides himself questions of current business which are otherwise matters for the whole Board of the Bank or of some Section or member, if, for lack of time or on account of absence or otherwise the decision of the appropriate organ cannot be secured. A matter thus decided must be placed by him before the next meeting. He summons the meetings of the Bank Board and meetings of the Select Committee (some member of the Committee may be delegated by the Governor for this purpose), he allocates the members of the Bank Board to the various sections and appoints from their number the chairmen of these sections. For



AUGUSTIN NOVÁK,  
*former Minister of Finance, former  
General Manager of the National  
Bank of Czechoslovakia.*



KAREL KUČERA,  
*former General Manager of the  
National Bank of Czechoslovakia.*

the Main Office at Praha and for the branch offices at Brno and Bratislava he nominates in each case 1 member of the Bank Board (2 from the ranks of the elected members and 1 of the nominated members) to follow the activities and business of these offices, and report thereon to the Bank Board. He ratifies the resolutions passed by the Bank Board, by the Select Committee, the sections and the Audit Committee in order to give them validity, and does so generally by attaching his signature. Resolutions, however, of which the Governor when present has not signified his disapproval by the close of the meeting, are regarded as approved by him.

The Bank Board is the leading administrative organ, which represents the National Bank in all its dealings, especially those with the Government.

It is the duty of the Bank Board to administer the property of the National Bank, to conduct its business and exercise supervision over all its transactions. It lays down the manner in which, in current working, the business management, the Main Office and



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*Consistory Counsellor, Vice-Chairman of the Cyrillo-Methodius Credit Bank, Brno, Member of the Bank Board.*



Dr. METOD BELLA,  
*Chairman of the Agricultural Board for Slovakia, Bratislava, Member of the Board.*

branches shall sign for the National Bank. It fixes detailed conditions of, and the scope of the individual branches of business of the National Bank, and prescribes the limits of credits. It entrusts banking institutions with the functions of sub-offices. It appoints the censors and fixes their number. It lays down and alters the working rules and the powers for itself, for the sections, the Select Committee and Audit Committee, as well as the service and disciplinary rules for the employees, and the pension rules. It nominates the permanent staff and decides upon their advancement, their pay and their pensions. It supervises the working of all the employees, and exercises the supreme disciplinary authority over them. Through the Governor it submits to the general meeting reports upon the activities of the National Bank, the annual reports and accounts. It submits to the Government its opinion on currency questions, on State credits and in general upon questions that the Government



EMIL LUSTIG,  
*Chairman and General Manager of  
the Wholesale Purchase Association  
of Consumption Cooperative Socie-  
ties, Praha, Member of the Board.*



ROBERT MANDELÍK,  
*Chairman of the Union of Czecho-  
slovak Sugar Refineries, Manu-  
facturer, Praha, Member of the  
Board.*

may lay before it, and can in this connection also make suggestions on its own initiative.

The Select Committee in general exercises the rights and carries out the decisions of the Bank Board. In urgent cases it can make its own independent decisions if there is not time enough to summon the Bank Board. Measures providing for a change in the discount rate, however, must be submitted for subsequent ratification to the Board which is to be convoked without delay. A meeting at which a decision is made to alter the discount rate must be attended by all the members of the Select Committee and by the Government Commissioner.

The Sections decide upon, and go through with the officials concerned, matters of current business, and prepare the material for the deliberations of the Bank Board.

The Audit Committee is composed of 5 members elected by the



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*former Secretary General, Central  
Association of Czechoslovak Manu-  
facturers, Praha, Member of the  
Board.*



Dr. HANUŠ RINGHOFFER,  
*General Manager,  
Ringhoffer Works, Praha,  
Member of the Board.*

annual general meeting for a term of 5 years, and one of them is appointed chairman by the Governor of the Bank. One member retires every year, but retiring members may be re-elected.

The Audit Committee is the supreme control organ, and it is its duty from time to time to examine the condition of business and the property and funds of the National Bank, to scrutinise the final accounts, the balance-sheet and profit and loss account (it has the right to examine all books and entries) and to give a report to the general meeting of the results of its activities. It is its duty also to attend the ordinary meetings of the Bank Board held in March, June, September and December, in which the Audit Committee sits in an advisory capacity.

#### The Board of Censors.

Censors are appointed by the Bank Board for every banking district to a number corresponding to the amount of business trans-





LADISLAV SMĚLÝ,  
*Assistant General Manager,  
Prague Municipal Savings Bank,  
Member of the Board.*



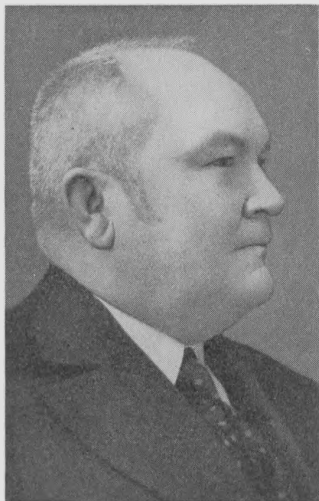
† FERDINAND TOMÁNEK,  
*General Manager, Zemská Banka,  
Praha, Member of the Board,  
(† on the 19th of May, 1936).*

acted. They hold their office for 6 years and are chosen, from the ranks of persons well acquainted with the local economic conditions, on the recommendation of the Chambers of Commerce, agricultural councils and other important class organisations. The function of the censors is an honorary one. Leading factors or officials in profit-making financial institutions may not act as censors.

The Board of Censors is an advisory body for deciding upon the quality of bills presented to the National Bank for discounting, and a confidential body which has the right to interpret the requirements and demands of its banking area, and to submit its decisions in these matters to the Bank Board. The deliberations of the Board of Censors are presided over by a leading official of the Head Offices or a branch of the National Bank.

#### Business Management.

The Bank Board gives its orders to the business management of the National Bank which is the body of officials directing the



VÁCLAV VOLNÝ,

*Farmer, Palkovice near Místek,  
Moravia, Member of the Board.*

business of the Bank. This body is composed of a general manager, of two or three managers, and of secretaries with the title of sub-managers, the number of which is fixed according to requirements but may not exceed six. The business management carries out the orders given it by the Bank Board through a subordinate staff, and is responsible for the proper carrying out of those orders as well as for the proper functioning of all branch offices and the Main Office. It follows the activities of these offices and of the Head Office, calls for reports on their work, gives them orders and suggestions, and exercises supervision and audit either through its own members or through the officials specially designated for the purpose. The business management gives the Bank Board reports on

the activities of the Bank, and presents suggestions of its own initiative. It submits to the Ministry of Finance weekly statements showing assets and liabilities, the condition of cover and of liabilities at sight, and presents reports on the results of the annual working of the National Bank and the course of its general meetings. It publishes the prescribed weekly statements, and 8 days prior to the annual general meeting the balance-sheet, and profit and loss account in the official gazette, as well as in other journals, and displays copies of these statements and accounts in the Bank's premises.

The general manager is the chief leading official and rapporteur to the Bank Board in all branches of the business of the National Bank. He receives orders from the Bank Board, and in accordance with them and in the name of the Board gives signed orders to all the departments of the Head Office, the branches and their staff, either direct or through the managers, or other members of the business management. He attends the meetings of the Bank Board and of the other organs in an advisory capacity, and it is his



ANTONÍN MAREK,  
*former Manager of the Vinohradská  
Záložna, Praha, Chairman of the  
Board of Auditors.*



JOSEF BARTON-DOBENÍN, Jr.,  
*Manufacturer, Náchod-Kamenice,  
Member of the Board of Auditors.*

duty to inform the Governor daily of all matters concerning the National Bank. He presides over the meetings of the business management and of the managers.

The Central Administration and Main Office of the National Bank of Czechoslovakia are in Praha, which is the seat of the Bank, while in leading towns branch offices, of which there are now 34, have been established. In smaller places certain banking institutions have been entrusted with the functions of sub-offices, of which there are now 134.

#### The Central Administration.

The Central Administration is composed of all the departments of the National Bank of Czechoslovakia through which the Bank conducts its activities at Praha (except the Main Office). The designation of the Central Administration is "The National Bank of Czechoslovakia, Praha". In it are concentrated the office of the



JAN MOUČKA,  
*Farmer, Smržice near Prostějov,  
Member of the Board of Auditors.*



VLADIMÍR ROCH,  
*Manager of the Central Association  
of Tradesmen's Cooperative Societies  
in Brno, Member of the Board  
of Auditors.*

Governor, the managers' departments, and the commercial service with all the necessary administrative, economic and technical service. The supervisory section as regards bookkeeping and management is the central bookkeeping department.

The Commercial Services (apart from the bank-note printing office, which by virtue of its principal activity is connected with the main treasury) concentrate within themselves for the whole administration of the National Bank the corresponding activities of the various offices. Within the scope of their central activities, these services (the administration, credit and exchange departments) are in direct contact with all the offices, give them instructions (sometimes in the form of circulars), and can also make initiative proposals regarding service regulations.

The Central Actuarial Office in the scope of its actuarial and economy activities examines whether the operations of all the business sections of the Central Administration and sub-

# BANKING DISTRICTS OF THE HEAD OFFICE AND BRANCH OFFICES OF THE NATIONAL BANK OF CZECHOSLOVAKIA.

## Table of explanatories:

- Seat of the Head Office or Branch
  - Seat of the National Bank of Czechoslovakia
  - △ Seat of the Agency of the National Bank of Czechoslovakia
  - Seat of the National Treasury and National Debt
  - ◆ Seat of the National Authority
- (Boundary line of the political and court district with regard to the Division of the former Kingdom of Bohemia)  
 — Boundary line of the political district  
 — Boundary line of the political district  
 — Principal Railway  
 — Junction Railway

ordinate offices are conducted in conformity with the service prescriptions, circulars and business conditions, and with other instructions or special orders, or the direct instructions of the management.

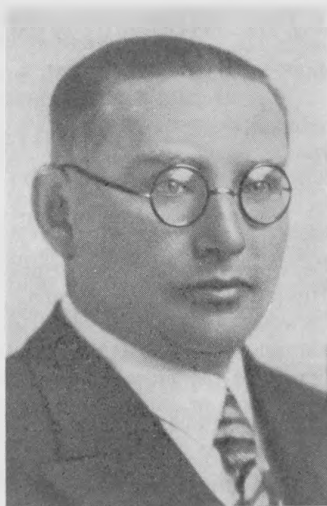
### The Main Office and Branches.

The local business is done by the Main Office at Praha, by the branches in the principal towns throughout the country, and by sub-offices in smaller places. Only with the consent of the Government can the National Bank establish new branches or sub-offices, or close down existing ones during the period of its charter.

The Main Office and branch offices conduct their operations for an area—a banking district—allotted to them. The place which serves as their seat is termed a banking place. For Praha, the title of the office is "National Bank of Czechoslovakia, Main Office".

### Sub-Offices.

The Board of the National Bank entrusts the functions of sub-offices to certain of the ordinary banks. Each sub-office is subordinate to the branch in whose banking area it is situated. In its functions as sub-office of the National Bank, the bank in question may indicate its connection, as for example, "Benešov Municipal Savings Bank, Sub-office of the National Bank of Czechoslovakia". This designation may not, however, be used for purposes of advertisement.



Dr. JINDRICH WILD,  
*General Manager, Union of Czechoslovak Savings Banks, Praha,  
Member of the Board of Auditors.*

# *The Management of the Bank of Issue*

By Dr. PROKOP SVOBODA.

## I. The Bank Office of the Ministry of Finance.

At the moment when our independent Czechoslovak State came into being the function of a bank of issue was carried out on its territory by the Austro-Hungarian Bank through its branches and its main institute in Praha. Dr. Alois Rašín, the Czechoslovak Minister of Finance, by virtue of a Government Decree of the 6th March 1919 (No. 119 in the Collection of Laws and Decrees) took over for the purpose of managing the currency the buildings and inventory of the main institute of the Austro-Hungarian Bank in Prague and its 30 branch offices and imposed on the employees of the Bank the duty of conducting their activities in the administration of the currency in the sense of that Decree. In so far as they were active employees they enjoyed the rights and were subject to the duties of State officials.

Under the above-mentioned Government Decree, and the Decree of 12th May 1919 (No. 246 in the Collection of Laws and Decrees) issued on the basis of the first-named, there was established for the practical conduct of the functions of a bank of issue which had been entrusted to the Ministry of Finance a Bank Office of the Ministry of Finance, the management of which was in the hands of the Bank Committee of the Ministry of Finance, presided over by the Minister of Finance or his deputy, and a business staff.

The Bank Committee was composed, in addition to the Minister of Finance or his deputy, of 10 members nominated by the Minister.

The Following Finance Ministers were successively the chairmen of the Bank Committee:

Dr. Alois Rašín to 7th July 1919,

Dr. Cyril Horáček to 8th October 1919,

M. Kuneš Sonntag to 25th May 1920,

Dr. Karel Engliš to 20th March 1921,

M. Vladimír Hanačík to 25th September 1921,

M. Augustin Novák to 6th October 1922,

Dr. Alois Rašín to 17th February 1923,

M. Bohdan Bečka, C. E., to 9th December 1925,

Dr. Karel Engliš until the close of the functioning of the Bank Office of the Ministry of Finance on 31st March 1926.

Augustin Novák, Manager of the Zemská Bank was appointed to take charge of the business management as Head Manager, and Karel Kučera, a leading officer of the Austro-Hungarian Bank was made Manager.

On the 14th March 1922 an agreement was arrived at between the Ministry of Finance and the Liquidation Commission of the Austro-Hungarian Bank whereby a total number of 218 employees of the Bank were taken into the active service of the Bank Office of the Ministry of Finance.

## II. The National Bank of Czechoslovakia.

In virtue of the Act of Parliament concerning a joint-stock Bank of Issue of 14th April 1920 (No. 347 in the Collection of Laws and Decrees) as amended and supplemented by the Act of 23rd April 1925 (No. 102 in the Collection of Laws and Decrees) and of the decision of the Ministry of Finance made in accord with a resolution of the Board of Directors of the Bank, the National Bank of Czechoslovakia commenced its operations on the 1st April 1926.

The Bank Office of the Ministry of Finance ceased, in pursuance of the decision of the Ministry of Finance, to function on the 31st of March 1926, and the National Bank of Czechoslovakia took over its duties and carried through its liquidation.

The first Governor of the National Bank of Czechoslovakia was appointed on the motion of the Government by the President of the Republic, T. G. Masaryk, in the person of Dr. Vilém Pospíšil, the Head Manager of the Municipal Savings Bank, Prague, till then the vice-chairman of the Bank Office of the Ministry of Finance.

On the 16th February 1934 the Governor Dr. Vilém Pospíšil resigned on his appointment by the President of the Republic as Envoy Extraordinary and Minister Plenipotentiary.

On the 23rd February 1934 the President of the Republic appointed Dr. Karel Engliš, one time Minister of Finance and Professor of the Masaryk University, Brno, to be Governor of the National Bank of Czechoslovakia.

The Board of Directors of the Bank is now composed of the following gentlemen:



Dr. Karel Engliš, Governor of the National Bank of Czechoslovakia, one time Minister of Finance, and Professor of the Masaryk University, Brno.

Dr. Ladislav František Dvořák, Deputy-Governor of the National Bank of Czechoslovakia, General Manager of the Federation of Agricultural Cooperative Societies, Praha.

Professor Monsignor Antonín Bartoš, Consistorial Counsellor, Vice-Chairman of the Cyrill and Methodius Bank, Brno.

Dr. Metod Bella, Chairman of the Agricultural Council for Slovakia, Bratislava.

Emil Lustig, Hon. Consul-General of the Latvian Republic, General Manager of the Wholesale Purchase Association of Supply Cooperative Societies, Praha.

Robert Mandelík, Chairman of the Association of Czechoslovak Sugar Refiners, manufacturer, Praha.

Vojtěch Míxa, E., Secretary-General of the Federation of Czechoslovak Industries, Praha.

Dr. Hanuš Ringhoffer, Manager General of the Ringhoffer Works, Praha.

Ladislav Smělý, Deputy, Head-Manager of the Municipal Savings Bank, Praha.

Václav Volný, farmer, Palkovice, Místek, Moravia.

The Audit Committee is composed as follows:

Antonín Marek, formerly Manager of the Vinohrady Savings Bank, Prague, Chairman of the Audit Committee;

Josef Bartoň-Dobenín Junr., manufacturer, Náchod-Kamenice;

Jan Moučka, farmer, Smržice, Prostějov, Moravia;

Vladimír Roch, Manager of the Federation of Trades Cooperative Societies, Brno;

Dr. Jindřich Wild, Head Manager of the Federation of Czechoslovak Savings Banks, Praha.

After the retirement of Dr. Bohumil Vlasák, departmental chief and minister plenipotentiary, and of Dr. Václav Plocar, departmental chief, Dr. Josef Kalfus, departmental chief in the Ministry of Finance was on the 4th July 1934 appointed Government Commissioner of the National Bank of Czechoslovakia, a post which he held until his appointment as Minister of Finance. Dr. Jaroslav Rudolf, chief counsellor in the Ministry of Finance, was appointed deputy-commissioner.

The first Head, and subsequent Director, of the Research Department from 16th February 1926 to 1st February 1934 was Dr. Antonín Basch, University Lecturer.

On the 1st March 1934 the Head Manager Augustin Novák and the deputy-Head Manager Karel Kučera retired from their posts, and by a resolution of the Bank Board of the 15th March 1934 Dr. František Peroutka, one time Cabinet Minister, and departmental chief in the Ministry of Commerce, was appointed Head Manager.

The number of employees of the National Bank of Czechoslovakia on active service on the 31st December 1936 was:

Men (clerical staff) . . . . .	485
Women (clerical staff) . . . . .	30
Sub-officials and messengers . . . . .	156
Total staff . . . . .	671

Outside the staff the National Bank of Czechoslovakia employs 94 porters and workpeople.

In the bank-note Printing Office of the National Bank there are employed exclusive of persons figuring on the staff of the Bank:

Technical foremen and supervising officials . . .	7
Workers . . . . .	185

At the end of 1936 the number of pensioned employees, including the pensioners taken over from the Austro-Hungarian Bank, or their heirs who have succeeded to their pensions, was 159.

#### Social Provision for the Employees of the National Bank of Czechoslovakia.

Under the terms of § 136 of the Bank of Issue Act a Pensions Fund was established for the employees of the National Bank of Czechoslovakia. This Pensions Fund has the legal character of an independent juridical person.

The Pensions Fund is administered by a committee at the head of which, at this moment, is Dr. Ladislav František Dvořák, the Deputy-Governor of the National Bank.

The receipts of the Pensions Fund are composed of subsidies paid by the National Bank of Czechoslovakia, the regular contributions

of the employees of the Bank in active service, and the yield of the property of the Pensions Fund which at the present time is valued at approximately 112 million Kč.

The monies of the Pensions Fund are invested in Czechoslovak Government stock, in mortgage loans, and have also been laid out in dwellinghouses owned by the Fund and serving mainly for the accommodation of the employees of the National Bank.

Housing provision for the employees of the Bank is also looked after by the Housing Cooperative Society of Employees of the National Bank of Czechoslovakia which, with the assistance of the Bank, has erected five tenement houses. In addition to this a considerable number of the employees occupy the bank premises and houses owned by the National Bank itself.

Medical assistance for the employees is forthcoming, in addition to help from the Public Employees Sickness Fund, of which the employees of the National Bank of Czechoslovakia are members, from the special Fund established in memory of the late Minister of Finance, Dr. Alois Rašín, and called "The Dr. Alois Rašín Sick Fund for Employees of the National Bank of Czechoslovakia". The Bank has so far contributed altogether 5 million Kč as the foundation capital of this Fund, while it also makes, alongside the regular payments made by the employees, an appropriate contribution towards the cost of medical attention.

## LEADING OFFICIALS AT HEADQUARTERS AND THE OFFICES OF THE NATIONAL BANK OF CZECHOSLOVAKIA.

### B u s i n e s s M a n a g e m e n t

P e r o u t k a Dr. František, formerly Minister of Commerce, Head Manager of the National Bank of Czechoslovakia.

V a n ě k Dr. Václav, Deputy-Head Manager of the National Bank of Czechoslovakia.

K r e y s a Josef, Deputy-Head Manager of the National Bank of Czechoslovakia (on leave of absence).

K o s e k Jiří, Manager of the National Bank of Czechoslovakia (on leave of absence).

T o m á š e k Jindřich, Manager of the National Bank of Czechoslovakia (on leave of absence).

M i c h á l e k Josef, Deputy-Manager of the National Bank of Czechoslovakia, Manager of the Brno Branch Office.

K o ř i m s k ý Felix, Deputy-Manager of the National Bank of Czechoslovakia, Manager of the Central Actuarial Office.

Č á p Eduard, Deputy-Manager of the National Bank of Czechoslovakia, Manager of the Main Office.

M a l í k Josef, C.E. Deputy-Manager of the National Bank of Czechoslovakia, Manager of the Exchange Department.

#### T h e G o v e r n o r ' s O f f i c e

C h y t í l Dr. Václav, Private Secretary to the Governor.

#### T h e C e n t r a l A d m i n i s t r a t i o n

P e r o u t k a Dr. František, Head Manager of the National Bank of Czechoslovakia.

V a n ě k Dr. Václav, Deputy-Head Manager of the National Bank of Czechoslovakia.

### I. C O M M E R C I A L S E R V I C E S

#### C r e d i t D e p a r t m e n t

V a n ě k Dr. Václav, Deputy Head-Manager of the National Bank of Czechoslovakia, Manager of the Credit Department.

J a n e č k a Hynek, Head of Department.

*Attached:*

#### S e c t i o n f o r R e g i s t r a t i o n o f C o m m e r c i a l C r e d i t s

R o o s Dr. Zdeněk, Deputy-Head of Department.

#### E x c h a n g e D e p a r t m e n t

M a l í k Josef C.E., Deputy-Manager of the National Bank of Czechoslovakia, Manager of the Exchange Department.

K o n í č e k Břetislav, I. Deputy-Head of Department.

C i r ý n Josef, II. Deputy-Head of Department.

K a v a n Josef, III. Deputy-Head of Department.

F i l i p Josef, IV. Deputy-Head of Department.

Š o u r e k Antonín, C.E., V. Deputy-Head of Department.

## II. ADMINISTRATION

### A. Currency Administration

Sad ílek Václav, Head of Department.

*Attached:* Main Treasury

N ě m e c František, Head of Department.

N o v á k František, Deputy-Head of Department.

### Bank-Note Printing Office

V a l i n a Mirko, CH. E., Manager of the Bank-note Printing Office of the National Bank of Czechoslovakia.

R e i n e r František, Head of the Administrative and Control Department of the Bank-note Printing Office of the National Bank of Czechoslovakia.

K a š p á r e k František, Deputy-Head of the Administrative and Control Department of the Bank-note Printing Office of the National Bank of Czechoslovakia.

### B. The Secretariat

#### 1. Staff Department

S v o b o d a Dr. Prokop, Manager of the Staff Department.

Č a p e k Karel, Deputy-Head of Department.

*Attached:*

#### Central Archives

G u t Jiří, Deputy-Head of Department.

#### 2. Research Department

H o r n a Dr. Miloš, Director of the Research Department.

K r á l Dr. Alois, Deputy-Head of Department.

#### 3. Legal Department

K o p f s t e i n Dr. Viktor, Legal Adviser, Head of Department.

*Attached:*

Office of the Central Arbitration Organ and  
Advisory Board in Banking Matters

C. Technical Department

Stockar-Bernkopf Dr. Jaroslav, Architect, Head of the Technical Department.

Mrákota Jaroslav, Deputy-Head.

Králíček Josef, Deputy-Head.

III. THE MAIN TREASURY

Kořimský Felix, Deputy-Manager of the National Bank of Czechoslovakia, Manager of the Main Treasury.

Sotola Josef, I. Deputy-Head of Department.

Brzák František, II. Deputy-Head of Department.

THE MAIN OFFICE, PRAGUE

Čáp Eduard, Deputy-Manager of the National Bank of Czechoslovakia, Manager of the Main Office.

Zpěvák Alois, Deputy-Manager of the Main Office.

Korb Václav, Deputy-Head of Department.

# *The Research Department of the National Bank of Czechoslovakia*

By RCDr. MILOŠ HORNA.

In Czechoslovakia there has not yet been established an independent institute for the study of, and research into, trade cycles. The need of such a central department that would follow economic developments both in Czechoslovakia and abroad, which would maintain a survey of the current of ideas passing through the world and by scientific methods would carry out an analysis of the various problems of economic activities, was felt in the very first years of the existence of the Republic.

All the more essential was such service for the Bank of Issue if it was successfully to conduct its administration of the currency, a duty laid upon it by its own statutes and by the Currency Act.

When, therefore, the National Bank of Czechoslovakia commenced its operations on the 1st of April 1926, this need on the part of the Bank of Issue was met by the inauguration of its "Research Department". From the schematic angle the activity and duties of the Research Department of the National Bank of Czechoslovakia may be outlined as follows:

## I.

The starting-point of the activities of the Research Department of the National Bank of Czechoslovakia is its agenda as a receiving and collecting office for information and data of economic character from home and foreign sources, both of public and of private or confidential character.

The Research Department therefore makes a study for this purpose of the home and foreign press, including all reviews relative to finance and economics, as well as books.

It is in touch with the offices and institutions that compile statistical data, with the central organisations of the various industries, trades, etc. and with the economic institutions which collect statistics and information, as well as with workers in all spheres of scientific study based upon an investigation of economic statics and dynamics.

This receiving and collecting agenda is supplemented by the Research Department's own special statistical service. The Research

Department has had to compile and elaborate much material itself, especially statistics relating to the money and capital market, in which sphere Czechoslovakia formerly lacked an adequate supply of sensitive data from the economic angle — data suitable for the purposes aimed at by the Bank of Issue in its currency administration. The Research Department inaugurated its own statistics concerning the quarterly balances of the joint-stock banks, presents in statistical form the results of the stabilisation balance-sheets, keeps its own statistics relating to the dividends of joint-stock companies, and ascertains the financial results of company promotion year by year. In the sphere of prices it has introduced and keeps an independent system of weekly stock exchange indices, as well as a daily sensitive index of stock exchange prices; it has elaborated a system of statistics relating to the movement of the sensitive scales of the money and capital market, ascertains the prices and price-indices of the main commodities in the world markets, etc.

## II.

The receiving and collecting agenda of the Research Department forms the basis for its information service, which takes the form of a regular service, or items of information, or reports given occasionally.

The regular service of information is intended first and foremost for the managing body of the Bank and its statutory organs. From the daily press a survey of important happenings is presented by means of cuttings. Similarly, regular surveys of review articles are provided, and the more important of these articles are given in precis or excerpts. The more important publications in book form are dealt with in special reports.

For the monthly meetings of the Board of the National Bank of Czechoslovakia the Research Department prepares surveys of the economic situation and its development at home and abroad, and presents a draft of the report to be issued by the Board of the Bank in its monthly communiqué.

Analogous reports of specific character are drawn up by the Research Department also for internal meetings and conferences in the Bank, as for the monthly conferences on the money market, for the sessions of the Select Committee of the Bank Board, and for other occasions.

The Research Department elaborates an extensive annual report



for the annual general meeting of the National Bank of Czechoslovakia.

For the general public the Research Department issues "Reports of the National Bank of Czechoslovakia" (Bulletin of the National Bank of Czechoslovakia) with monthly surveys of the economic development in Czechoslovakia and the necessary main statistics and economic data. The "Reports" are issued in about 1500 copies in Czech, and in about 1600 copies in the text for abroad (in three languages).

Every quarter the "Reports" are supplemented by surveys of the development in numerous foreign countries. As special regular supplements to the "Reports" the Research Department publishes all the legislative measures and orders touching exchange regulations in Czechoslovakia from the angle of the currency.

The Research Department supplies the official Bureau of Statistics and numerous other interested bodies direct with the results of its own statistical researches. Data relating to the stock exchange indices, prices, and price-indices of goods in the world's markets are supplied every week to the daily press. The Research Department collaborates in testing the accuracy of certain reports to be issued by the Czechoslovak Press Bureau and various private press agencies.

In addition to its regular service of information the Research Department gives occasional reports and items of information both at home and to other countries. This section of the Department's activity is expressed particularly in external contact with public offices and institutions, either in response to direct enquiries, or in the course of the normal work of the Research Department especially in the sectors and questions concerned directly or indirectly with currency administration. Reports are also given to private persons concerning various aspects of economic activity in response to individual enquiries. Some of the reports of this kind are also published by the Research Department in special supplements to its "Reports". Thus the general surveys of Czechoslovak economic development for the preceding years ("Reports", Nos. 9-10, 46), a study on the critical survey of standard analyses of the world economic crisis (No. 51 of "Reports"), on the economic development in Czechoslovakia elaborated retrospectively for the advisory committee on economic questions, and others have been published.

The Department on occasions also makes translations of certain outstanding economic and politico-economic works (as, for example,

the Report of the Gold Delegation of the League of Nations, etc.) into Czech or translations of certain domestic works in one or other of the world languages in order to give those works wider publicity.

In its contacts with other countries the Department's service of information comprises the work of dealing with numerous enquiries from foreign Banks of Issue, or their research and analogous departments, from statistical bureaux abroad, correspondence with the Economic Section of the League of Nations, etc., as well as the supply of information given in response to direct enquiries from various economic experts and authorities abroad. Such information is very often provided on the occasion of the visit of such experts to Czechoslovakia for the purpose of a study of conditions here.

### III.

The actual scientific activities of the Research Department are to be seen in its concrete classification of ascertained phenomena and problems, in their methodical analysis and treatment from the ideological angle.

The Department follows the trend of ideas at home and abroad, especially in the sphere of currency and credit policy, analyses them as regards their elements and their practical applicability to conditions in Czechoslovakia, and adopts a scientific attitude towards them. It follows and analyses the economic development in Czechoslovakia and abroad.

It gives its opinion upon various suggestions, both on request and on its own initiative, and drafts proposals for the solution of various questions of banking theory and practice on a scientific basis (as, for example, for the reintroduction of commercial bills as an instrument of credit, for an analysis of American methods of financing consumption and instalment business, for the application of stock exchange rates to the short-term loan market, for the financing of productive investments by credit granted by the Bank of Issue, for transactions in the open market, investigations as to the statistical and practical presentation of currency disparities, the problem of deflation and inflation, the application of the Gesell theory of mutual balancing of payments for stimulating economic activities, and many others).

The Department has collaborated with the official Bureau of Statistics in elaborating a new structure of Czechoslovak price in-

dices, especially the index of wholesale commodity prices, as well as the consumption indices of cost-of-living, and on the Department's proposal statistics of the index of sensitive prices have been introduced, since it is very important for the currency policy of the Bank of Issue to possess a prompt and sensitive factor to enable it to follow the development of the price level. The Department has expanded the data of the balance of payments compiled according to the material provided by the exchange licence system which also serves the official Bureau of Statistics for its compilation of the balance of payments. For use in the negotiation of commercial treaties and for other commercial aims the Department also compiles specific balances of payments for sundry countries.

#### IV.

During the latest epoch of world depression a whole series of grave problems, connected with the development of Czechoslovakia's balance of payments with the individual countries whose transfer system is dislocated, have come to the fore. A new and abnormal field of activity opened up in this connection for the Research Department. After the introduction of exchange restrictions in 1931 and during the exchange dislocation prevailing in Central Europe in the succeeding years, the Research Department cooperated with the appropriate departments of the State administration in adjusting the balance of payments and commercial contacts of Czechoslovakia with other countries.

All the payment or clearing agreements made between Czechoslovakia and foreign countries during that period were made, and the great bulk of them continue to be conducted and adjusted, by officials of the Research Department.

Likewise in the internal legislation touching exchange transactions the Research Department has in many cases come forward with initiative proposals, suggestions and draft schemes.

#### V.

From the structure of the activities of the Research Department it follows that the Department is in close contact with, and conducts the contact of the Bank with, the offices of State, institutions and institutes both at home and abroad.

At home the Research Department maintains this contact of the Bank with the public economic and political organs. Its repre-

sentative capacity is concentrated largely in inter-department negotiations with the 'economic' Ministries in various committees, in the Credit Insurance Office, in the Grain Monopoly and the ancillary live-stock and timber syndicates, in the Exchange Commission attached to the Ministry of Finance, and, further, in relations with the autonomous organisations in the economic life of the country such as the chambers of commerce and industry, the Federation of Czechoslovak Industries and its sections, the Federation of Czechoslovak Banks and other financial institutions, and in societies and institutes that occupy themselves with the scientific study of the problems of national economy.

In its intercourse with abroad the Department conducts the current contacts of the Bank with foreign Banks of Issue, with the Bank for International Settlements, with foreign public organs and Government offices, with Universities, scientific and learned institutions, institutes for the study of trade cycles, statistical bureaus and research institutes, etc.

With the League of Nations the Research Department maintains close contact, particularly with its financial and economic sections.

The Department has also participated in numerous international conferences of an economic character: the conference of the Heads of Research Departments in Paris in 1929, that of Institutes for the Study of Trade Cycles in 1931 at Geneva, the Exchange Conference at Prague in 1931, the Central European Conference at Stresa in 1932, the Economic Conference in London in the year 1933, the meetings of the Economic Council of the Little Entente in 1934 and subsequent years, the meetings of the Governors of the Little Entente Banks of Issue, etc.

## VI.

The Research Department is organised on the one hand from the angle of sections, and on the other hand from that of territorial distribution.

Each of the officials of the Research Department is allotted, and in general deals with, a definite sector of economic activity, or special economic problems. At the same time care is taken to allot, as far as possible, two officials to each particular sphere. These spheres are: the money and capital market, the banks and banking institutions, the stock exchange, the precious metal and exchange market, balance of payments, exchange restrictions, State finances,

price developments, agricultural production, industrial production, foreign trade, domestic trade, consumption, social questions.

As regards organisation from the territorial angle, the various officials are allotted individual countries, or blocks of countries, so as to be able to follow the economic development and the specific problems of the particular area allotted them.

As a special section each of the officials is also allotted a particular area in the sphere of exchange, and in this connection participates in the appropriate inter-State negotiations for the adjustment of clearing arrangements with the particular State.

## VII.

The Research Department has its own economic library and a special economic archive.

At the present moment the library possesses some 3,000 volumes of works connected with banking, finance and economics in all the leading world languages. The Department subscribes for 56 newspapers and 130 reviews. By way of exchange for the "Reports" of the National Bank of Czechoslovakia the library receives altogether 426 periodical publications from various parts of Czechoslovakia, such as statistical reports, the annual statements and reports of the banks, industrial enterprises, and other publications. By way of exchange for "Reports" in the form of the "Bulletin", there are received from abroad 71 reviews, 43 periodical official publications and statistics from 17 countries, and material from Banks of Issue and commercial banks from 35 countries (annual reports, bulletins, statements). In addition to the above the Research Department receives further material from institutions of other character to the number of 85 publications.

In the special economic archives there are so far kept 1,339 bound annual volumes of periodical reports and newspapers covering the period of the past 17 years.

The contents of the library are classified according to the names of the authors (name index) and contents (subject-matter index). The latter index comprises some 4,100 cards.

Articles from reviews are classified in analogous fashion according to authors and contents.

Daily newspapers to the number of 36 supply cuttings which are classified and arranged in fascicles according to countries in 60 groups, and according to contents in 409 groups.

The archives of documents are arranged for Czechoslovakia in 45 groups according to contents, and for abroad according to 60 countries, classified according to contents.

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In the Research Department at the present moment 23 persons are employed. In addition to the Director, the Department has 6 posts occupied by officials with University qualifications, 7 occupied by other officials, 5 by foreign correspondents, and 5 by registration clerks.

# *Technical Administration*

By JOSEF KREYSA.

The question of finding suitable quarters for the newly established Czechoslovak Bank of Issue, especially for its Central Administration and Head Office represented at the outset a difficult problem.

There was at disposal only the house No. 936, Bredovská ulice, No. 5 (the former Schebek Palace) in Prague II., in which up till then the Prague branch office of the Austro-Hungarian Bank had been located. Prior to the War that branch office had employed 28 officials and 14 clerks, while in the War the number of employees rose to 62. On the inauguration of the new Bank of Issue this staff was doubled. There was thus a shortage of office accommodation, all the more so as the agenda of the administrative centre of the Bank Office of the Ministry of Finance was much more extensive and many-sided than had been the agenda of the former branch of the Austro-Hungarian Bank.

The steady increase in the operations of the Head Office, the necessary inauguration of several departments of central service (the main bank-note strong room, the research department, exchange department, the central bookkeeping department, etc.) called for extensive adaptations in the original main building and the adjoining houses which had been purchased and where offices had been installed, and which it was necessary to connect up suitably with the main building. The Head Office was finally installed in the second storey of one wing of the new Bank-note Printing Office, which forms reserve accommodation in case of an expansion of operations. In this way the representative chambers of the Schebek Palace were made free for the Bank Board Room, and the offices of the Governor and the Management. The difficult work of adaptation, carried out with great care under Prof. Josef Velflík, the architect, was completed in the year 1928.

In adjusting the premises of the former branch of the Austro-Hungarian Bank at Prague for the accommodation of the central administration and head office of the new Bank it became immediately clear that house No. 936, despite all the work of adaptation, will not suffice for the Czechoslovak Bank of Issue, and the ultimate aim is therefore the erection of a new building.

The immediate surroundings of the Schebek Palace were recognis-



*Premises of the National Bank of Czechoslovakia, Praha II., Bredovská 5.*



ed as the most suitable location for the new building, and the authorities of the Bank Office of the Ministry of Finance decided that the future Bank of Issue shall be constructed to face Jindřišská ulice, close to the Head Post Office, with wings extending into Bredovská ulice to house No. 936, and into Růžová ulice to the premises of the Buštěhrad Railway. As, however, the entire surroundings of the Schebek Palace are built over, it was necessary first of all to take steps to purchase all the houses already standing on the area intended for the new building, especially for the Bank's own printing press, the need of which was particularly felt from the very outset of the activities of the Bank of Issue. The Government of the Republic declared this building as essential in the public interest according to § 1 of the Act of Parliament 87 of the year 1920, thus giving the Bank the right to acquire the property if need be by compulsion. This, however, did not prove necessary, and agreement has been arrived at with all the owners.

Before the bank-note printing house could be built, other accommodation had, in view of the tenants' protection laws then existing, to be found for the tenants of the houses, while flats for the Bank's own staff had to be provided. For this purpose several houses were built (or purchased, or adapted) in various parts of Prague, and finally, during the period of these preparations for clearing the site for the future bank-note printing office, numerous visits for the purpose of study were paid to other countries, while numbers of well-known experts from abroad paid visits to Praha in this connection.

The erection of the bank-note printing office was commenced, according to plans drawn up by the architect, Dr. Josef Sakař, in the year 1924, and the building was completed in 1927, by the National Bank of Czechoslovakia which had commenced its activities on the 1st of April 1926. The furnishing of the interior and the installation of the machinery was completed in 1928.

Within the area of the site of the future central building of the Bank of Issue further property has been successively acquired, the last of the houses being purchased in 1936, so that it will be possible to proceed to realise the original scheme of construction in the course of the year 1938.

On the commencement of its functions on the 1st of April 1926, the National Bank of Czechoslovakia took over by special contract the real property of the Bank Office of the Ministry of Finance.

The Bank thus acquired in Prague nine buildings and the then

as yet incomplete bank-note printing office, while outside Prague it acquired thirty branch office buildings, a house in Bratislava, and buildings sites in three other places.

As the National Bank of Czechoslovakia took over the obligation of establishing four new branches—at Tábor in Bohemia, at Uherské Hradiště in Moravia-Silesia, at Ružomberok in Slovakia, and at Užhorod in Carpathian Ruthenia—it was necessary to erect new premises for them. It was also essential to erect new premises for several of the already existing branches, where the premises taken over from the Austro-Hungarian Bank did not answer present-day requirements, particularly as regards the security of the moneys and securities lodged there. The Bank Board therefore decided to erect new premises for the branches at Baňská Bystrica, Bratislava, Hradec Králové, Moravská Ostrava, Olomouc and Plzeň.

It was impossible in several places to secure accommodation for members of the Bank's staff, and it was therefore necessary to build houses for them, which was done at Mukačevo, Nitra, Teplice-Šanov and Žilina. At Brno a house for the staff was acquired by purchase.

For the site of the new Bratislava branch three houses at the corner of King Alexander Street, Štúr and Goethe Streets were purchased in 1935. Tenders for the building were invited, and decided upon in 1936, and the work of erection is now going forward.

In other places, too, where the existing premises of the branches do not answer to modern requirements as regards working conditions and security, the Technical Department has the question of securing suitable sites under consideration. The branches concerned are those at Liberec, Nitra, Teplice-Šanov, and Ústí n./L.

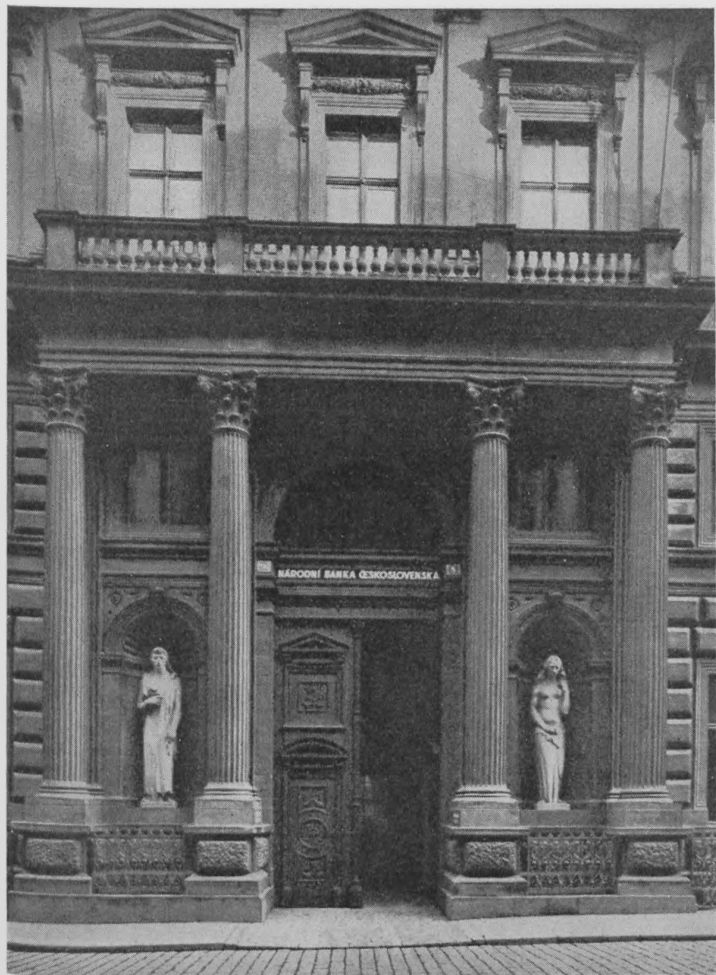
After taking over the various premises the Building Dept. of the Bank devoted exceptional care to security measures. According to the various requirements of the different branches the strong-rooms were strengthened, or their equipment, if not up to the mark, replaced by other, and a complete system of signalling installed in all the branches and at headquarters in Prague. All the new buildings without exception are fitted out with modern strong-rooms with reinforced concrete walls and steel plates, and with reliable signalling and alarm apparatus.

From the year 1926 to date the Bank has invested Kč 18,080,000 on the purchase of property and sites in Prague, while adaptations have cost Kč 2,186,000. The erection of new branch offices has cost altogether Kč 45,543,000, and subsequent adaptations Kč 1,086,000,

while Kč 2,315,000 has been spent on housing accommodation for staff. On the installation or improvement of existing security apparatus and strong-rooms, in so far as this outlay is not included in the original building costs, a sum of Kč 3,057,000 has been spent.

The inventory as taken over by the National Bank of Czechoslovakia has been added to during the ten years up to 1936 at a total outlay of Kč 10,105,000.

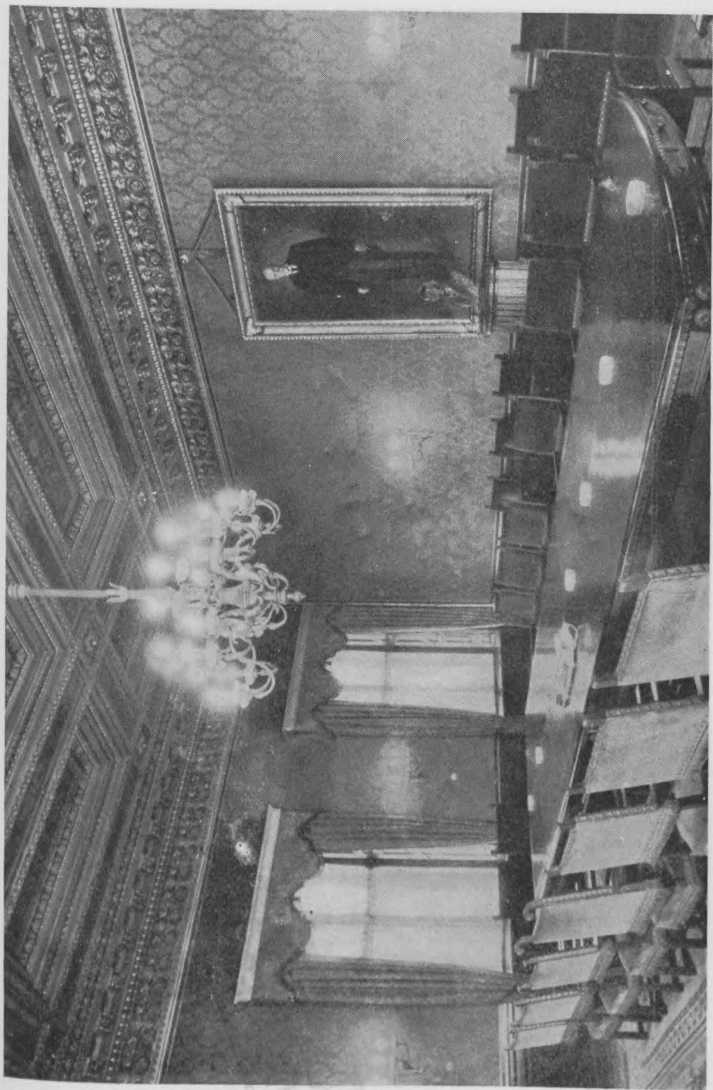
The Building Dept. is also entrusted with the care of dwelling-houses in Prague or outside Prague whether they are the actual property of the National Bank of Czechoslovakia or of the Pensions Fund of the Bank's employees. This activity covers fourteen houses (252 flats, and 97 offices, shops, storages, and garages).



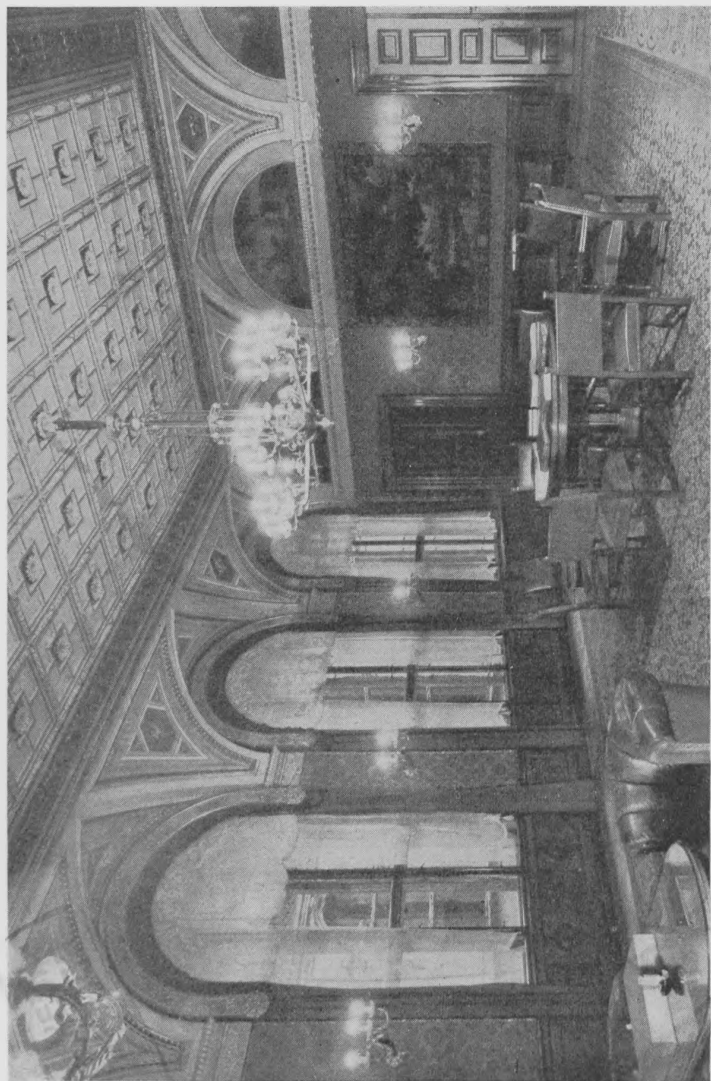
*Entrance, Praha II., Bredovská 5.*



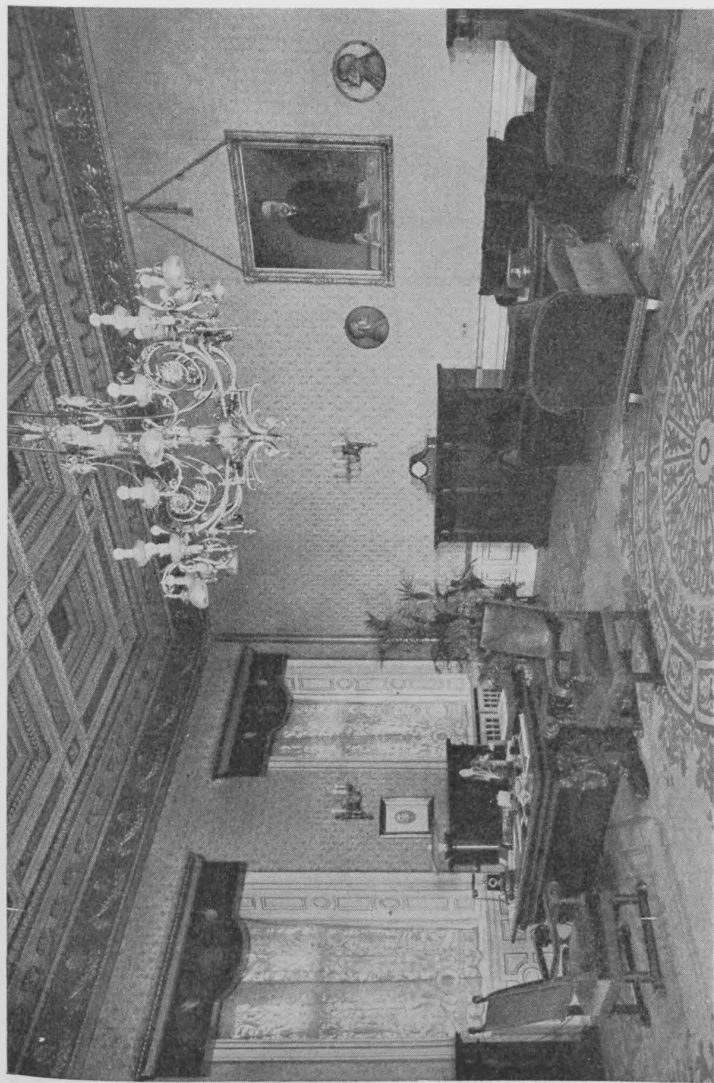
*Main Staircase of the Building of the National Bank of Czechoslovakia, Praha.*



*Board-room.*



Lobby.



*Office of the Governor.*





*Branch-Office, Hradec Králové.*



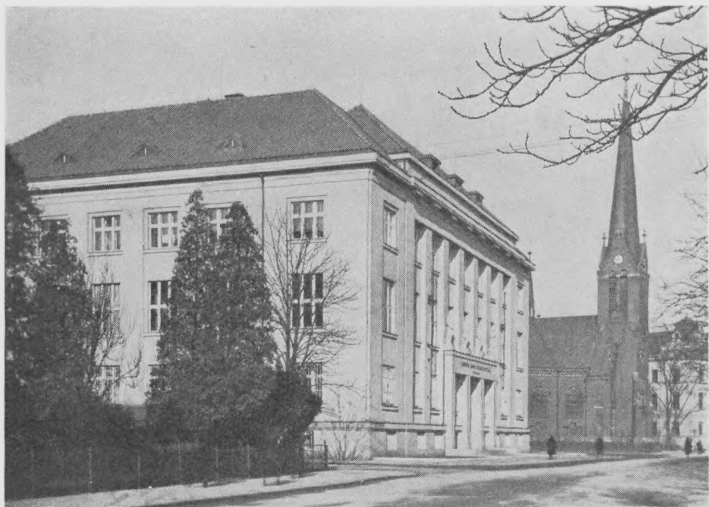
*Branch-Office, Plzeň.*



*Branch-Office, Tábor.*



*Branch-Office, Moravská Ostrava.*



*Branch-Office, Olomouc.*



*Branch-Office, Banská Bystrice.*



*Branch-Office, Žilina.*



*Branch-Office, Užhorod.*

# *The Bank-note Printing Office*

By MIRKO VALINA, E.

After the stamping of the Austro-Hungarian bank-notes in our territory by means of Czechoslovak stamps, preparations were at once commenced in private printing-houses at Prague (A. Haase, Politika, Unie), at Pardubice, Liberec and Varnsdorf for the printing of the first Czechoslovak State-notes of 1, 5, 10, 20, 50, 100, and 500 Kč. State-notes of 5,000 Kč denomination were ordered from the printing-press of the Austrian National Bank in Vienna.

The production of these first State-notes corresponded to the urgency of the need for them at that time, and to the then post-War capacity and experience of the domestic lithographic industry—otherwise very highly developed—in this particular sphere of output. These State-notes were printed by the current processes (book-print, offset).

With a view to providing greater security against forgery State-notes were soon afterwards ordered from an American commercial printing-house equipped exclusively for the printing of bank-notes, share certificates and postage stamps. These State-notes from the American printing-press in denominations of 100, 500, 1,000 and 5,000 Kč were intaglio-printed on both sides. Their technical finish was entirely up-to-date.

In order to make the country independent in this department preliminary work was shortly commenced upon establishing a Czechoslovak bank-note printing-press in the form of a professional lithographic institute on the model of the printing-presses run by the banks of issue in other countries. To tide over the near future the printing of State-notes in the private printing-houses was to be so far improved as to make it possible to turn out the lower denominations of State-notes in more perfect form. Thus were produced the first domestic intaglio-printed State-notes—the 50 Kč notes, Type II, designed by Prof. Fr. Kysela.

At this time Director Jan Aufreiter (from 1st March 1922) and Chief Auditor Fr. Reiner (from 1st October 1921) were already in the service of the Bank Office of the Ministry of Finance as the first two officials of the future bank-note printing office. The first sections of the future printing office were temporarily housed in the Schebek Palace. These were the engraving and guilloche depart-



*Bank-note Printing Office, Praha.*

ments, the department for galvanoplastics and the preparation of plates (stereotypy). These departments at first turned out and reproduced plates for the printing of the State-notes by private printing-houses.

When a commencement was made (in the year 1924) with the erection of the printing office, it was now a matter of building a bank-note (and not a State-note) printing office, for in the meantime the preliminaries were well advanced for the inauguration of a Bank of Issue, that is, the National Bank of Czechoslovakia, so that the new 20 Kč note (Type II, designed by Mudruňka) had been prepared as the first bank-note.

The building of the bank-note printing office was completed in the course of the year 1927, and the inner installation finished in the Spring of 1928.

The number of officials and other employees on the 1st March 1928 was only 27 (permanent staff 3, contractual official 1, foremen 4, workers: men 14, women 5).

On the 30th May 1928 a beginning was made in the new printing office, in which the making and reproduction of plates had already been in progress for some time, with the printing of notes; the first work being a continuation of the printing of the 20 Kč notes instead of having them printed in private printing offices. In the course of the Summer, 4 copper-plate-printing machines that had been taken over from another source were installed, and a commencement made with the printing of the intaglio-form of the same 20 Kč notes (the side bearing the portrait of Dr. Rašín). On the 1st October 1928 the first bank-notes printed here were passed on to the main bank-note treasury.

By the end of 1928 the staff had been considerably increased, and work was in full swing in all departments of the printing office. The number of the staff by 31st December 1928 had reached 133 (permanent staff 10, contractual officials 11, foremen 5, workers: men 63, women 44).

The programme for the next few years of the printing office thus started was to elaborate and issue successively a series of new types of bank-notes, commencing with the lowest denominations, and improving from one category to another, according to the experience acquired, the production of the plates and the printing itself, so that it would be possible gradually to manage without sending orders abroad. At the same time the technical qualifications of the skilled

staff were improved, and care was also taken to raise the artistic level of the bank-notes.

Simultaneously an administrative system was built up, and strict control and a registration service introduced to all sectors of production as well as in connection with the supplies of bank-note paper.

In the years 1928 and 1929, in addition to the printing of the 20 Kč note, there was transferred to the printing office the printing of the 10 Kč note (printing of this began on the 16th September 1928) which now bore a text showing it to be a bank-note (and no longer a State-note), and the printing of the 50 Kč State-note (Type II), the work on which began on the 30th August 1929.

The same period saw the first Czechoslovak bank-note of home manufacture intaglio-printed on both sides. This was the 50 Kč note (Type III) designed by Mucha. It was also the first bank-note turned out completely, from the artist's design, in the new printing office. The printing of this note was begun on the 30th August 1930, the first delivery to the main bank-note treasury took place on the 13th December 1930, and the issue was put in circulation on the 27th April 1931.

A further point in the programme was to introduce special methods of bank-note printing, and to procure more up-to-date machines. This was achieved, among other things, by the purchase of English intaglio-printing machines, and especially by the introduction and elaboration of the technique of printing in colour according to the Russian Orloff principle. This technique was first employed for the basic print of both sides of the new 100 Kč note (Type III) designed by Max Švabinský. The printing of this note was commenced on the 14th December 1931, the first delivery was made to the main bank-note treasury on the 19th May 1932, and the notes were put in circulation on the 25th October 1932.

At this period several new methods of production had been elaborated and applied in practice, particularly in the making of plates for intaglio and printing in colour. At the same time steps were taken for the schooling of the engravers. The galvanic chrome-plating of printing plates was introduced, and various improvements made on the printing machines.

New experience acquired in the process of plate reproduction and in printing found due application in the turning out of the new 1000 Kč bank-notes (Type III) designed by Max Švabinský. The figural engravings for this bank-note were made by the printing-



office's own engraver, whereas those for the 100 Kč bank-note had still been supplied by the Vienna engraver, Professor Schirnböck. The printing of the 1000 Kč note (Type III) was begun on the 9th of February 1935, the first delivery was made to the main bank-note treasury on the 16th May 1935, and the notes were put into circulation on the 7th December 1935.

At the close of 1935 preparations began for a 5000 Kč bank-note from a design by Max Švabinský, at present intended for the reverse of this note.

The number of employees of the bank-note printing office on 31st December 1935 was 211 (permanent staff 38, contractual officials 2, foremen 6, workers: men 88, women 77).

The bank-note printing office has delivered since it commenced operations in 1928 up to the end of the year 1935 a sum total of 300,464,500 bank-notes. Of these, 124,696,700 were notes without intaglio-printing (10 Kč notes), 105,223,000 were intaglio-printed on one side (50 Kč notes Type II, and 20 Kč notes Type II), while 70,271,800 notes were intaglio-printed on both sides (50 Kč note Type III, 100 Kč note Type III, and 1000 Kč note Type III).

In addition to the above-mentioned types of bank-notes, the engravings for the share certificates of the National Bank of Czechoslovakia, plates for various cheques and other purposes, engravings for New Year's Cards, etc., have been carried out in the printing office.

The unfinished structure of the bank-note printing office which the National Bank of Czechoslovakia took over with other buildings under the terms of its contract with the Czechoslovak Government was included in the total evaluation of Kč 68,000,000 as follows:

Site . . . . .	Kč 4,105,000
Building . . . . .	6,613,000
Fittings and inventory . . . . .	1,476,000
	<hr/>
	Kč 12,194,000

The completion of the work of erection (including reconstruction of the boiler-rooms, carried out in 1935) called for a further outlay of Kč 13,007,000. The machinery and plant of the printing office has been gradually supplemented at a total cost of Kč 8,930,000.

The printing office building comprises not only reproduction pre-

mises in which the designs of the artists are prepared for printing, premises for the manufacture of printing plates and halls with their arrays of machines for the printing of the bank-notes, but also a whole series of auxiliary workshops, of which the more important are: a chemical laboratory for testing colours and paper, a small printing-room for trying out designs, a bank-note testing room for the analysis of suspected or damaged notes, fitters', joiners' and mechanics' workshops, and the like. The building also contains a domestic printing-press, and apparatus for the destruction of bank-notes by dry process.

# *Administration of the Bank-note Circulation*

By VÁCLAV SADÍLEK.

The bank-note circulation and its waves of movement in connection with the credit policy of the Bank, with the volume of the State-note debt, the gold cover, etc., has been the subject of a chapter to itself. Here only the administrative aspect of the currency will be dealt with.

The distribution of bank-notes and regulation of their circulation is in charge of an administrative department at the Headquarters of the National Bank, a department to which the main bank-note treasury is likewise subordinate. This latter takes over the bank-notes from the printing office, and provides all the necessary supplies. The branches of the National Bank regularly notify their surpluses and their requirements of bank-notes to the main treasury, which then transfers the surpluses to the places that are in need of supplies, or it meets the requirements of the branches from its own stocks.

All this is coupled in organic fashion with a regulation of the circulation through the network of the post offices and the Post Office Savings Bank. The postal authorities also fix, according to experience, the necessary stocks to be maintained by the post offices. These stocks are kept at the due level through a certain number of post offices acting on the one hand as places of collection and on the other as offices from which the others receive their supplies. All this is done according to the regulations concerning the cash deliveries by, and allocations to, the post offices. The regulations are elaborated in great detail in agreement with the National Bank on the basis of many years' experience, according to the practical claims of requirements, seasonal changes, and the celerity of transport between the branch-offices of the National Bank and the post-offices as above mentioned that act as places of collection or of distribution.

These connections are maintained by means of cheque accounts.

Cheque accounts are a very important factor in the regulation of the circulation. They consist in the main of the current accounts, bearing no interest, of the banking institutions, the State and other public institutions, industrial and commercial concerns which are

always paying out and receiving money, and must always have very large ready sums at disposal.

The cheque account system enables surplus funds to be deposited safely so as to be at the owner's disposal at any moment and to any amount. Transfers from one cheque account to another are the cheapest method of transferring money that exists.

The deposit of surplus ready funds on cheque accounts makes it possible to reduce the actual bank-note circulation by an amount which normally varies between 500 and 1,000 million Kč.

A quite special importance for the regulation of the circulation is possessed by the cheque accounts of the Post Office Savings Bank and the post offices.

The post offices in places where there is a branch of the National Bank have cheque accounts at these branches, into which they pay not only their own funds that are not required for the moment but also the so-called indirect deposits, that is sums that are handled by them. The post offices that possess cheque accounts at the National Bank number 35, while those with indirect deposits are 437 in number. The sums paid into the National Bank by the post offices represent very considerable accumulations of funds throughout the whole Republic, a fact of very great importance for the distribution of circulation. Thus, many consignments of funds to branch offices that would be essential without the post offices are unnecessary. Transfers to the branch offices remain none the less a rule, since there is a need, on the one hand, of new money and, on the other hand, the payments into the branch offices can be made, owing to transport considerations, only to a certain extent. Some post offices pay in more and have small requirements; with others the case is exactly the opposite. In the course of each month, therefore, necessary transfers of bank-notes take place among the branches of the Bank themselves on the one hand, and between the main treasury and the branches on the other.

The quantity of bank-notes in circulation is not a standing figure. It varies according to the volume of economic activities not only in the different years, but also in the different months, and even from week to week.

The quantity of the individual denominations of bank-notes in circulation also varies, but to no great extent.

The circulation of the individual denominations of bank-notes expressed in percentage of the whole circulation was:

	On 1st April 1926	On 1st April 1936
5000 Kč . . . . .	9.85%	3.74%
1000 Kč . . . . .	25.48%	34.31%
500 Kč . . . . .	11.40%	11.16%
100 Kč . . . . .	35.70%	42.02%
50 Kč . . . . .	8.63%	8.77%
20 Kč . . . . .	5.30%	—
10 Kč . . . . .	3.15%	—
5 Kč . . . . .	0.35%	—
1 Kč . . . . .	0.14%	—
	100.00%	100.00%

A very considerable influence upon the volume of the circulation is exercised by the clearing associations, the object of which is to settle the balance of mutual claims among the members who, in the main, are the banking institutions. The turnover of the Clearing-house at Prague gives an indication of the big sums which are settled in this manner. In the year 1926 the turnover was Kč 79,100,000,000, and in 1931 was Kč 81,500,000,000. Clearing associations are also in operation at Brno and at Bratislava, where the turnover, of course, is much smaller (in the year 1936 about Kč 4,000,000,000).

The turnover in the cheque accounts of the National Bank in 1935 amounted to Kč 181,000,000,000, and in 1936 reached the figure of Kč 212,000,000,000. The turnover in cheque accounts at the Post Office Savings Bank is approximately Kč 20,000,000,000 monthly.

The contact between the National Bank and the post offices makes it possible continuously to withdraw bank-notes that are no longer in a suitable state, and also facilitates the detection of forgeries. Bank-notes returned to the Bank from circulation are classified into those capable of further circulation, which are again duly put into circulation, and those which are no longer serviceable. These are perforated and destroyed once a week by crushing to pulp. The ceremony of destruction is attended by the Government Commissioner or his deputy, and superior officials of the Bank who draw up a protocol, the particulars contained in which are an aid in arriving at the actual figure of the circulation.

From the 1st April 1926 to the 1st April 1936 bank-notes were destroyed to the number of 463,344,343 representing a value of Kč 19,051,264,290.

The National Bank also exchanges at its counters damaged bank-

notes parts of which are missing. No equivalent is given for the missing portions.

In issuing new sets of bank-notes the period of validity is usually fixed as the same as for their predecessors. After withdrawal, bank-notes are as a rule exchanged for 2 years at all branch offices and for 3 years at the Head Office in Praha. On the expiry of this period the value of the bank-notes which have not been surrendered is credited to the State-note sinking fund. Bank-notes which are returned after the expiry of the period of grace are exchanged only in cases of exceptional consideration, and their value is debited to the State-note sinking fund.

The withdrawn bank-notes thus exchanged are destroyed simultaneously with the unserviceable notes and the incomplete notes that have been exchanged.

# *The Advisory Board in Banking Matters and Central Arbitration Organ*

By Dr. KAREL WEBER.

In the course of the first decade of the National Bank's existence, and with its collaboration, there has been established an important central factor in the sphere of finance, namely, the Advisory Board in Banking Matters and Central Arbitration Organ. The legal basis of these two supreme organs in the sphere of Czechoslovak finance and banking which are linked up to the National Bank, is provided by the Act of Parliament of 2nd March 1933 (No. 44 in the Collection of Laws and Decrees). Detailed particulars as to the composition and functions of these two bodies are contained in the Government Decree of the 23rd March 1933 (No. 52 in the Collection of Laws and Decrees), and in the standing orders.

The Advisory Board in Banking Matters is constituted as a corps of the leading representatives of the banking world and delegates of the Ministries of Finance, Commerce, Industry and Trade, the Interior, Agriculture and Social Welfare, and representatives of the main branches of economy. At the head of the Advisory Board is the representative of the National Bank of Czechoslovakia; at first the Governor, Dr. Vilém Pospíšil, and since 1934 the present Governor, Dr. Engliš. In addition to three deputy-chairmen, two members and two substitutes are supplied to the Board by the Board of the National Bank, one member and one substitute by the Executive Committee of the Czechoslovak Rediscount and Lombard Institute, while 25 members and as many substitutes are nominated by the Minister of Finance from the ranks of the leading groups in the finance world and banking, and finally eight members and eight substitutes are contributed by the Ministries mentioned above, and three representatives are supplied by the leading sectors of the economic world exclusive of banking.

The organs of the Advisory Board are the presidium, the general meeting of the members, the so-called special committee of the Advisory Board, and the expert committees appointed for particular purposes.

The Central Arbitration Organ as an autonomous body representing finance and banking is composed of the same members and sub-

stitutes as the Advisory Board with the exception of the representatives of the Ministries and of the main branches of economy other than banking. The chairman and vice-chairmen are the same as for the Advisory Board.

The organs of the Central Arbitration body are its presidium, a normative committee, an arbitration bench, a bench of appeal, and the general meeting of the members.

The Advisory Board, as an organ called upon to collaborate also by way of initiative in the solution of questions concerning finance and banking, has the right to lay down principles of good morals in respect of banking competition, especially as regards agreements touching rates of interest of every kind; it has also the right to lay down, at the request of the Government, similar principles in individual matters, especially to adjust rates of interest at a level answering to prevailing economic conditions, and to give its considered opinion on the appropriateness of the disparity between credit and debit rates of interest paid by the various types of banks and banking institutions.

The Advisory Board has also the right to present to the Government on its own initiative or at the request of the Minister of Finance, proposals and opinions in other legislative, administrative and organisatory matters of fundamental importance which affect banking, to submit to the Courts on request its opinion in questions of banking, and credit, to follow and make a record of business usages and customs in the sphere of banking and credit, to recommend directives for conducting supervision of banks and banking undertakings, and to see whether the organs of supervision are fulfilling their duties properly, and finally, in conjunction with the official Bureau of Statistics and the National Bank, to secure a due compilation of statistics in the sphere of banking.

It is the duty of the Central Arbitration Organ to deal with complaints of the breach of the rules and standards issued for banking by the Advisory Board, to submit to the District Offices proposals for penalties for breach of the rules of competition in banking, to carry out, at the request of the Courts, an investigation to ascertain the substantial facts in cases of breach of the rules of banking competition, and to submit its decision as to whether certain acts or conduct represent such breach of those rules, to submit to the Advisory Board proposals for fixing the rules of banking competition, and to see to the establishment and maintenance of good relations between



the various categories and groups of banks and financial undertakings.

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Attempts to establish a central organ of Czechoslovak finance and banking have for a long time been put forward in Czechoslovakia. These attempts issue, in principle, from two quite different points of view.

On the one hand the idea is to constitute in such a centre of finance and banking an organ that would, in as perfect a form as possible, act as a subsidiary or obligatory medium of arbitration in all cases of unfair competition in the banking sphere in accordance with the basis laid down in the Act of Parliament No. 111 of the year 1927 and the Government Decree No. 30 of the year 1928 which provided for the establishment of the Central Arbitration Organ to deal with cases of unfair competition in matters of finance and banking. In this case a prominent place is given to the aspect of autonomy which issues from the character of the duties and the importance of the organ as an arbitration institution.

The other idea for a supreme organisation of finance and banking is based on the acknowledged need of tightening up the mutual relations of the individual components of the financial system and banking and the urgent need of solving the problem of this so important element of the country's economy in the interests of banking as a whole as well as in the interests of the entire economic system within the framework of a central organisation. To ensure the appropriate influence expressed in the opinions and decisions of the Advisory Board is, however, only possible if independence of decision is allowed to the supreme organisation in certain questions, if the decisions of the Board are binding upon all banks and banking institutions, and if the effective cooperation of the State administration is simultaneously assured.

With the establishment of a central organ of finance and banking there is, however also connected the question of certain adjustments of the jurisdiction of the organs of State administration over the individual categories of banking, in particular the question of a concentration of powers in the Ministry of Finance, which in this connection acts in a certain function not as a central organ of State administration in the fiscal sphere, but of a central office of economic-financial character.

In this connection it is necessary to mention the Bill—which did

not pass in Parliament—for the concentration of jurisdiction in the matter of banking enterprises in the Ministry of Finance, for a Banking Council and a Central Organisation of Audit Federations. This Bill, drafted in the year 1928, represented an attempt to eliminate the divisions above mentioned in the jurisdiction of the central offices over the individual categories of finance and banking, as they had developed in the course of time either according to the social form of the institutes or according to corporative interests. Banking and its individual groupings should, however, be regarded to-day solely from the angle of the whole, even if the particular character and mission of the individual groups remain untouched. Therefore, if the result of the activities of banking as a whole is to be judged from the angle of all the needs of the country's economy, it is essential that jurisdiction should be concentrated in a single office of State, so that all problems concerning banking may be solved exclusively from the angle of a central aim. The Bill in question conferred a considerable measure of competence upon the Ministry of Finance, especially in so far as—with the consent of the Banking Council which was to be simultaneously established as an advisory organ attached to the Ministry of Finance—this Ministry was to issue, within the scope of the prevailing law, rules of general application for restricting the material and local competence of the individual categories of banking institutions and, if need be, to subordinate them to direct supervision. The proposed activities of the Banking Council were to move within the scope of the operations of the present Advisory Board in banking matters, and were to be organically expanded by the above-mentioned collaboration of the Ministry of Finance. In addition to this, the functions of the Arbitration Organ in cases of unfair competition in banking matters were to be transferred to the Banking Council. Among the further contents of the Bill may be mentioned the proposed Central Organisation of Audit Federations for loan and credit societies. The Banking Council, as proposed in this Bill, was to be in the closest touch with the Ministry of Finance, and the Minister himself was to preside over the Council. It was not therefore based on the principle of autonomy, with the exception of its functions as arbitration organ in cases of unfair competition, but as an organ of the Ministry. In this way in particular an effective influence of the Banking Council and dependence of the Ministry in its turn upon the views of the Banking Council in matters concerning finance and banking was to be achieved.

The Bill for a Banking Council did not become law, mainly by

reason of the diversity of opinion regarding the dependence of the Banking Council just referred to. Very soon, however, the undeniable need and efficacy of a central banking organisation became clear when, after the break in the period of economic prosperity in 1929, a reduction in rates of interest began to be demanded. If, from the economic angle, the aim of a reduction of interest rates was deflation of income from capital as a component of general deflation and as an accommodation of inelastic economic figures to elastic ones, this general aim was in accord with the interests of the leaders of finance and banking in their endeavour to suppress unfair competition in the acquisition of deposits among the banking institutions, a competition which took the form of offering high rates of interest, the exaggerated character of which, as the economic depression intensified, was felt with special severity.

As early as the year 1930 there took place, on the basis of the then Central Arbitration Organ, conferences concerning the question of rates of interest and of unfair competition by the offering of individual rates, and certain agreements touching interest rates were arrived at though not in legally binding form.

The foundations for the establishment of the Advisory Board in banking matters from the normative angle were first laid by Article LIV of the so-called Banking Act (No. 54 in the Collection of Laws and Decrees of 1932), which empowered the Government, after consultation with the Board of the National Bank and with the Advisory Board whose competence was to be fixed by Government Decree, to fix the level of rates of interest in a manner answering to the prevailing economic conditions.

Czechoslovakia was not the only country which carried out a reduction of rates of interest on normative lines. Previcus to the Czechoslovak adjustment, similar measures had been taken affecting the development of the money market in Bulgaria, Yugoslavia, Lithuania, Hungary, Germany, Poland, and Rumania. While the adjustments abroad had been limited solely to the problem of interest, that in Czechoslovakia dealt not only with rates of interest but also made a readjustment in the sphere of organisation with the object, on the one hand, of creating a supreme central organ for the whole of finance and banking, and on the other hand of reconstructing and finally settling the activity of the existing Central Arbitration Organ. It was in particular the connection of the above-mentioned general view on the reduction of rates of interest with unfair competition in the form especially of alluring deposits, of granting high rates and

other competitive facilities, that led to the idea of eliminating, simultaneously with an adjustment of interest rates, the features which, from the angle of the importance and activity of finance and banking, are so undesirable.

The result of intensive consultations among the leading representatives of banking and delegates of the offices of State, especially the Ministry of Finance, was the Bill and the Government Decree above mentioned setting up the Advisory Board and the Central Arbitration Organ. Act of Parliament No. 44 of the year 1933 comprises, in addition to these organisatory rules, fundamental provisions relating to the obligation of principles of good morals in competition as fixed by the Advisory Board, after approval by the Government and promulgation in the Collection of Laws and Decrees, together with the penalties for breach of these standards of competition whether in respect of interest rates or otherwise as laid down by the offices of State.

As a logical supplement there is furthermore the important prescription contained in §19 of the Act in question, by which it was forbidden for the time being to promote new banks and banking institutions, so that the competition for deposits should not be intensified by the establishing of new concerns. The prohibition was also designed to consolidate banking in cases where there was felt to be an overgrowth of banking concerns. The prohibition contained in §19 was afterwards prolonged by Government Decree of the 22nd December 1934 (No. 261 in the Collection of Laws and Decrees).

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The activity of the two bodies after their establishment was directed in the first place to the question of the level of rates of interest. The result of a series of conferences was the standard rates promulgated by the Government in the Collection of Laws and Decrees under No. 59 of the year 1933. An organic supplement to the adjustment of the rates of interest applying to the banking institutions was provided by Decree No. 85 of the year 1933 by which the Government fixed maximum scales of interest between creditors and debtors other than banking institutions. In the sphere of interest rates it was also possible in course of time to define more closely a number of conceptions and various species of credit relations which it had not been possible to include in the scope of the norms of interest. As these, frequently complicated, questions were discussed at conferences in which the representatives of all groups of finance and

banking took part and the resolutions were thus moved by the individual federations, it proved in this way possible to secure almost absolute unanimity.

In the year 1935 a new adjustment of rates of interest was made (Government Decree No. 238 in the Collection of Laws and Decrees) which was not, however, carried out within the scope of the Act of Parliament No. 44 of the year 1933, but according to an enabling act. The Advisory Board participated largely in this adjustment too, for its delegates for several months attended almost daily the consultations that took place at the Ministry of Finance.

Experience showed that the mutual relations among the banking institutions are fundamentally sound, and that cases of unfair competition, apart from the sphere of rates of interest, are very few. An undoubted influence in this connection is to be attributed to the standardisation of rates of interest which eliminated those cases of unfair competition which were proving most harmful to the good name of the banks. It was not therefore necessary to issue general rules relating to competition in banking. It is probable, however, that after annulling the normative adjustment of interest rates it will be necessary to issue banking regulations to take the place of the prescriptions relating to interest in so far as these prescriptions concerned unfair competition.

Alongside the adjustment of interest rates, the actual activity of the Advisory Board lies in its functions as an organ that presents proposals of its own initiative, or at the request of the Government submits its views on proposals that directly or indirectly concern banking. Of this extensive activity it is only possible in passing to mention the cooperation of the Advisory Board in negotiating important Bills touching the farmers' moratorium and its liquidation, agricultural settlements, the moratorium on claims against unemployed persons, the registration of commercial credits, reform of the direct taxes, the working and supervisory rules of the joint-stock banks, the Banker's Act, tax relief in the case of fusions, and many other important questions. The independent activities of the Advisory Board took the form of opinions given on individual applications for permission to establish a new banking concern or branch office as an exception to the prohibition laid down in §19 of the Act No. 44 of the year 1933, and the Government Decree No. 261 of the year 1934.

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If we are to assess the results of the activities of the two bodies we are discussing, we must in the first place emphasise the undoubted importance of the fact that they were given a firm basis enabling representatives of all the component sections of finance and banking to come together for the purpose of solving problems relating to finance and banking.

The outcome of the collaboration of all the elements of banking is especially observable in the matter of norms of rates of interest. In negotiating these, the various interests of the individual groups—interests purely subjective—naturally came into clash, but when they were all considered as a whole it was found possible to make mutual concessions, and to create such conditions as—from an objective angle—represent a sum total of regulations, the importance of which has not yet been fully appreciated. The attempt at establishing the first standard of interest rates in 1933 proved so sound that it became the basis for a further adjustment of these rates in 1935. Even if we regard the adjustment of interest rates as a passing measure, the results of the work of the Advisory Board lose nothing of their importance, for the differentiation of scales as provided for, and the results of the considerations which found application in the discussions, especially those on the extent of the competence of the individual categories of banking, will continue to be a sound guide for the solution of the most varied questions of decisive importance for banking.

Mutual cooperation and a positive relationship established on the basis of the two bodies under consideration are reflected in the results of negotiations upon other matters which were the subject of discussion as above mentioned. If the Central Arbitration Organ has not hitherto had to unfold any extensive activity, and if the norms of banking competition have not yet been issued, the reason is to be sought in this cooperation, a great share in which has been taken by the individual financial and banking corporations which, having been informed by the representatives about the views obtaining in the two central bodies, strove so to conduct their activities that any conflicts arising have been settled directly by conciliatory methods.

All that has been said about the relations of the individual elements of banking among themselves, applies in increased measure to the relations of banking to the State administration.

There is, in particular, close contact and collaboration with the Ministry of Finance, whose representatives participate in almost all the deliberations of the Advisory Board, so that the demands of the

representatives of banking in so far as they are justified—and these representatives always endeavour to bring their claims into harmony with the general interest—can, in immediate contact with the representatives of public administration, be taken properly into account. For the public administration, on the other hand, it is particularly fitting that all important questions concerning banking should be discussed in an expert gathering of the leading representatives of banking, where the proposed measures may be given expert consideration, and support given to the practical aspect for consideration by the Government. In this connection the activities of the Advisory Board in the sphere of rates of interest and the solution of the problem of indebtedness are worthy of appreciation, and it is only to be hoped that these mutual relations will be further intensified.

In relations with the National Bank the result aimed at by the norm has been attained. In this connection, too, it is necessary to emphasise the effective collaboration of the Bank of Issue with the leaders of finance and banking, a collaboration based in particular upon profound mutual understanding of the activities of both parties. Experience so far gained from periods rich in important happenings in the sphere of finance and banking proves that the two supreme institutions have fulfilled their mission, and it is to be hoped that they will advance along this path in the interests of a sound and orderly system of banking which is one of the main pillars of our entire economic system.

FIRST DECADE  
OF THE NATIONAL BANK  
OF CZECHOSLOVAKIA

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POLICY OF THE BANK OF ISSUE





# *Exchange Policy and the Currency*

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## THE BASES OF EXCHANGE POLICY.

Exchange policy comes into application mainly in times of economic and financial crisis. It is a substitute for, or complement to, the policy of gold exchange, and introduces an appropriate regulation of rates of exchange in place of the automatic regulative of gold. In substance, exchange policy is a sector of currency policy and its importance and justification are in proportion to the amount of currency reserves on the one hand and to the development of the balance of payments on the other.

The centre of gravity of exchange policy lies in the outward administration of the currency, and its importance for Czechoslovakia is indirectly outlined in the following passages taken from the speech which Dr. Engliš delivered as Minister of Finance at the constituent general meeting of the National Bank of Czechoslovakia on the 21st of March 1926: "In addition to attention to the sound internal administration of the currency the National Bank of Czechoslovakia has a still more important task in the sphere where economic exchanges extend beyond the frontiers of the State and the area served by the currency, and milliards are paid for millions of tons of commodities. There arises a trade balance and balance of payments against foreign countries which in the course of the year has its waves of surplus or deficit. The foreigner who purchases from us seeks the crown which is an object of sale and purchase in the world market. Its value in the world market, as expressed in foreign currencies, rises with our favourable balance of payments and drops when that balance is unfavourable. Now it is the task of the Bank of Issue to utilize the favourable balance to offset the unfavourable balance. For this purpose it has its reserves of precious metal and foreign media of payment, reserves which must be commensurate not only to the circulation at home but also to the extent of the foreign balance of payments. The administration of the currency is thus an immensely important task calling for a complete survey and careful study of all the movements and vibrations of economic activity."

For obvious reasons, States with a full gold standard do not

need to conduct an exchange policy, but such a policy is a natural necessity where a paper currency, or the so-called gold exchange standard is in force without the convertibility of bank-notes into gold. In our own conditions an exchange policy has had, and still has, full justification, for up to the Autumn of 1929 we had a paper currency, then gradually a gold exchange standard (to the beginning of 1934), and finally a gold standard without convertibility of bank-notes, the present state of affairs.

The main object of an exchange policy is to foster the exchange rate which is a direct index of the evolution of the balance of payments. If the balance of payments is favourable the rate of the exchange reacts to this circumstance by an upward trend, whereas in the case of an unfavourable balance of payments the rate is exposed to pressure and naturally shows a downward tendency. Experience and observation of a whole series of periods makes it possible to judge empirically with adequate probability as to the development of the balance of payments and take accordingly such measures as will limit any very considerable temporary oscillations in the rates. This is accomplished by the Bank of Issue taking up from the market any surplus of foreign media of payment, and returning it to the market as soon as any shortage manifests itself. Thus the oscillations of the exchange rate are kept within the narrow bounds fixed by the upper and the lower gold point. In the case of a full gold standard, too, the gold points are the limits of the movements of the rates, but these movements, not being appropriately controlled, show far more violent oscillations and are relatively more frequent. Exchange policy is thus really a system of intervention which can with absolute success be limited to the home market only. Intervention of foreign markets is not necessary, but it is sometimes advisable to resort to it if the psychological moment therefore presents itself.

In the case of a balance of payments which shows only passing waves of surplus and deficit and comes automatically to equilibrium within a certain period, the Bank of Issue has a comparatively easy task in the sphere of exchange policy. It must, however, be prepared also for the eventuality of an abnormally large deficit of temporary character in the balance of payments. If in such a case it estimates that the exchange reserves are insufficient to bridge over the breach in the balance of payments, or if it does not desire, or is unable in view of the legal provisions concerning exchange cover to mobilise part of that cover, the Bank of Issue secures in advance certain

facilities abroad, either in the form of an auxiliary currency credit (the so-called revolving credit) or rediscount, acceptance or other similar short-term credit which it will pay off out of the anticipated incomings of exchange when a turn for the better ensues in the balance of payments. In Czechoslovakia, while the Bank Office of the Ministry of Finance was still functioning, use was made in the years 1922 to 1924 of an acceptance credit in sterling secured by a deposit of silver and of a dollar advance on gold deposited abroad, as well as of uncovered loans in foreign currency negotiated abroad by several of our commercial banks. Immediately on the commencement of its operations the National Bank secured a revolving credit in dollars, but despite several prolongations of this credit down to the middle of the year 1929 it was happily not found necessary to make use of it.

When the balance of payments is chronically unfavourable the normal means at the disposal of exchange policy do not, of course, suffice for supporting the currency, and it is essential to concentrate upon avoiding, by all available forces at the command of the apparatus of State, the danger which threatens in such a situation. Under normal conditions when no obstacles stood in the way of the movement of capital, long-term foreign loans for the purpose of intensifying economic activities in a debtor State frequently sufficed. After the Great War, and later on the onset of the world economic crisis, when short-term foreign loans were precipitately withdrawn from debtor States, it became necessary to place the means of the State at the service of exchange policy, and thus to give it formally a new content. In the course of subsequent development exchange policy became an important economic instrument in connection with the far-reaching efforts made to attain self-sufficiency. It must be emphasised that this deflection of exchange policy from its real aim has not always reacted favourably upon international commodity trade, and a tendency therefore once again manifests itself to redirect exchange policy to its original purpose. This tendency found support also in our country under the circumstances that accompanied the devaluation of the Czechoslovak crown in October 1936.

Exchange policy possesses for its functions of intervention and regulation not only its principal means—the purchase and sale of foreign media of payment—but also an important resource in the discount rate which constitutes a link uniting it to credit policy. A rise in the discount rate raises also the level of rates of interest

at home, and if this exceeds the level existing abroad it attracts short-term capital from abroad for which more advantageous returns are sought. The balance of payments improves, the exchange rate rises, but this improvement is paid for by the domestic economy in the form of higher rates of interest in the home market. Circumstances sometimes do not permit of the means of raising the discount rate in effective measure, and still less is this possible under a system of controlled rates of interest as is the case with us. All the more then is exchange policy compelled to resort to means of a normative character.

In carrying out their exchange policy the Banks of Issue have not always made right use of the foreign media of payment which they held as exchange or currency reserve. Especially under the system of the gold exchange standard it happened that media of payment which the Banks of Issue held in their portfolio as currency reserve were loaned to private banks abroad which granted them in the form of credits to other countries with the result that one and the same sum figured in the currency cover of several Banks of Issue. Thus there was piled up a credit pyramid which, when a crisis undermined confidence, was absolutely bound to collapse as soon as the credits which figured at the bottom of the structure began to be withdrawn. In some cases the matter went so far that out of the exchange portfolio, which simultaneously represented currency cover, advances in exchange were made on the pledge of securities or even without it to inland banks which immediately sold this borrowed exchange to the Bank of Issue where it again appeared in the portfolio. This was simply nothing but an evasion of the conditions laid down for advances on securities. Happily to-day the gold exchange standard is a thing of the past, and thus the atmosphere in the sphere of international short-term credit has also been automatically cleared. The National Bank, however, drew none the less considerable material benefit from the gold exchange standard, since it availed itself of every opportunity of placing a large proportion of its exchange portfolio abroad in advances, investment and short-term loans. This activity on the part of the Bank reached its culminating point in 1929 when it also benefited from the abnormally high rates that marked the boom on the American and other money markets. For the National Bank, however, paying investments abroad were a necessity in view of the insignificant extent of its credit business at home which of course suffered from the excessive pressure of exchange policy as determined by the gold

exchange standard. After the withdrawal of short-term credits from Czechoslovakia in the course of the year 1931 and following years, a measure of harmony between the interests of exchange policy and those of credit policy was arrived at, and the surplus of exchange was converted into gold which, after the first devaluation in 1934, became the exclusive currency cover. In so far as the surpluses of exchange permit of their deposit and investment abroad, this is accomplished to-day solely through the Banks of Issue in the form of credit transactions where immediate mobilisation is possible.

## FREE AND BLOCKED PAYMENTS TO AND FROM ABROAD.

Under a free exchange system a Bank of Issue acts in the exchange market merely as a regulator, by absorbing surpluses of exchange from the market, and again by providing it with exchange when a shortage ensues. In doing so it pursues a policy of exchange rates, purchasing at a low and selling at a high level. In connection with the purchase and sale of exchange it indulges in arbitrage, and if need be, in gold arbitrage. In the case of gold arbitrage it may be a case, in utilising the difference of rates, of transfers of gold from one place to another abroad, or of gold from the home country to another, or vice-versa.

Under the blocked exchange system as practised in Czechoslovakia there is in force at the present time the principle of compulsory surrender of all acquired foreign exchange to the National Bank which, on the other hand, satisfies all the legal demands made upon it for the allocation of exchange. The difference between this system and that of free exchanges consists in the fact that to-day practically not only the whole supply of exchange is concentrated at the National Bank but also the entire demand, whereas in the system of free exchange the National Bank merely settles the net balance arising from the internal compensation transactions of the individual commercial banks. The National Bank restricts its activities naturally to the market for prompt exchange, which is its real field of operation, leaving the market for forward delivery—while tolerating and supervising it according to need and in harmony with the interests of the currency—to the private banks authorised to deal in exchange. Payments in free exchange are made according to our exchange regulations with licence from the National Bank, but they are made only to such countries as make payments in the like manner to Czechoslovakia.

Exchange business is to-day conducted under usages which, in view of the international character of exchange, are practically uniform in all countries. The transactions consist generally of payments which represent really claims payable at sight. In addition to this, the National Bank also discounts exchange, of course within relatively narrow limits. The National Bank, as the central bank for other banks, restricts as far as possible its connections to banking institutions, and purchases exchange from private sources only on the basis of a contract for encashment; the sale of exchange, apart from direct transactions with the State administration and the State enterprises, is made exclusively through the banks.

When the world economic crisis broke in upon the system of automatic settlement of mutual international payments, there began to be observed in countries burdened with considerable international obligations a shortage of exchange which, as the crisis continued, led to a cessation of payments to other countries. This development naturally evoked in the creditor States an effort to defend themselves, the tendency being to restrict unilateral payments from creditor States and on the other hand to apply payments to the States under moratorium to meet the claims "frozen" in those countries. The unilateral suspension of payments to other countries resulted naturally in complete paralysis of the system of payments with the countries under moratorium. The economic organism, however, promptly reacted to this state of affairs by endeavouring, in the interests of maintaining mutual trade, to find some new method of securing encashments in the countries that were not now making payments abroad.

The first stage of development in the system of controlled payments took the form of private compensation payments, which, however, in view of the difficulty of encashment could provide only a partial remedy. These compensation payments, none the less, remain to this very day an instrument that is used with considerable advantage in cases where the structure of the system of payments with a certain country is relatively simply, and diverges comparatively least from the method of settling payments by means of free exchange. Compensation payments, however, were not always possible for formal reasons, not being allowed for instance in the other country, and numbers of objections of a material nature were also raised against them.

In the first place an objection was raised from the angle of commercial policy, since private compensation payments could lead to

an automatic settlement of trade balances with countries with which considerable export surpluses were formerly achieved. Then it was also objected that such compensation was not available to all export circles in equal measure, for small exporters—especially those who had no connections with the important banking centres—would pay heavily to middlemen for compensation facilities. Finally, in view of the structure of the balance of payments with the various countries it was argued that compensation payments are capable of applying only to a certain sector, while for the settlement of other important items of the balance of payments the compensation system could not be used owing to the absence of analogous items on the other side.

The impossibility of applying private compensation payments owing to obstacles of a formal nature in certain countries, and the efforts to adjust the total system of payments between the creditor countries and the countries under moratorium led to a unilateral concentration of payments at certain point, and then shortly afterwards to agreements for a system of payments on a wider basis that represents a further stage of development in controlled payments to other countries.

The substantial feature of agreements concerning payments is that payments which are to be made to the country with which an agreement has been made are in effect not actually made but are concentrated in one or more accounts in order to meet the claims which the home creditors have in the country with which agreement has been made. At the same time such agreements may apply to mutual payments under all titles, or merely to a certain sector of the system of payments; in character they are bilateral agreements. Herein lies the fundamental difference between them and a free system of international payments which itself is multi-lateral. It is of course theoretically possible even by means of bilateral agreements to achieve settlements with third countries, but in practice this encounters various obstacles, mainly of a commercial policy character. This particular one of the shortcomings of the clearing system could, however, be obviated, or at least lessened, if the countries were in principle ready, in certain precisely defined cases, to settle their clearing balances either wholly or partly by the aid of the Bank for International Settlements at Basle.

Clearing agreements are negotiated either by the Governments or directly by the Banks of Issue of the countries concerned. The contents of clearing agreements consist of the terms of a technique



of settlement of mutual payments, regard being paid generally to the following points:

1. extent of the system of payments (all payments or only certain payments);
2. establishment of accounts bearing no interest (one or more accounts on the one side, in the form of current accounts, or one or more accounts on both sides);
3. the currency or currencies in which the account or accounts are kept (clearing only in the home currency—ours, or only in foreign currency—exchange clearing from our standpoint, or in two currencies in such way that each of the two accounts of the mutual clearing is kept in a different currency, that is, the currency of the home country and the currency of the country with which the agreement is made);
4. the exchange rate for payments into and out of clearing;
5. conversion of payments in so far as they are made in a currency other than the clearing currency;
6. provisions clearing the debtor of his debt, and if necessary for supplementary payments and exchange differences;
7. provisions for settling eventual balances after the expiry of the agreement, for ensuring against possible changes in the parity or parities, and the like.

The functions of a clearing office are carried out for the most part by Banks of Issue, as is the case in the countries of Central Europe; elsewhere, as in Germany and in some of the Western European countries by special clearing offices specially set up for this purpose. In the early stages of the system of clearing agreements, these offices took upon themselves even exchange risks, but this is not the case in agreements of later date which exclude the risk for the clearing office by allowing it to be borne by the private parties and introducing a bilateral clearing in two currencies with automatic liquidation.

At the beginning of the year 1937 Czechoslovakia's system of payments was regulated by agreement with the following countries: Bulgaria, Italy, Yugoslavia, Hungary, Germany, Austria, Rumania, Greece and Turkey.

Unilateral clearing arrangements in our own currency alone are in force with Bulgaria, Rumania, Greece and Turkey; bilateral clearing in our currency is in force with Yugoslavia; we have bilateral clearing in foreign currency with Italy and Germany, and bilate-

ral clearing with Austria in the currencies of the two countries. The system of payments with Hungary, in so far as goods are concerned, is conducted in the form of private compensation, while for financial payments there is a unilateral clearing account in Kč.

Clearing agreements have not wholly fulfilled all that was expected of them in the early stages. In the first case they have not succeeded of themselves in liquidating the export assets "frozen" in the countries that are under moratorium, but this was a shortcoming that could be foreseen at the time when these agreements began to take more concrete form, for it could be sure that the fate of clearing is bound up with the extent of mutual payments attainable, and that clearing would only function satisfactorily if the mutual payments made through it are regulated by a system of quotas which fix in advance the volume of these payments and make impossible in advance the accumulation of untransferable balances. The quota system is thus a necessary complement to clearing agreements, and if a clearing system is agreed upon and introduced without regard to this essential accessory instrument its successful functioning becomes doubtful from the very outset. The quota system in such a case is a complete substitute for private compensation payments, but it is exposed to the same objections from the angle of commercial policy. Our clearing arrangements with the Balkan countries all suffer from this defect.

The inadequacy of clearing naturally manifests itself in delays in payments, and causes incalculable losses in interest. A debtor State benefits from this defect in the form of enforced loans, whereas the liquidity of the money market of a creditor State is reduced, and undesirable stringency is evoked.

Finally, clearing systems are reproached with an absolute lack of regulating function, as the rate of conversion is fixed and thus lacks elasticity. On the other hand, a remedy is to-day seen in the introduction of a sliding rate, but no sufficiently critical distinction is made as to whether this sliding rate is to be in our currency or foreign currency.

Clearing arrangements are undoubtedly a drag not only upon the system of payments but also upon trade contacts. None the less, they have accomplished a deal of good, especially in the early stages of their operation. They were always intended to be passing measures, and it is to be assumed that a rehabilitation of international economic and currency conditions will automatically liquidate them.

## EXCHANGE CONTROL IN CZECHOSLOVAKIA.

In Czechoslovakia it is possible to trace two distinct periods of exchange control. The first period closed on the 31st of December 1928 with the promulgation of Government Decree No. 209 of 1928 by which, after a control lasting from the establishment of an independent Czechoslovak currency, exchange transactions were made free. The second period of exchange control opened with a Government Decree of the 2nd October 1931 (No. 152 in the Collection of Laws and Decrees), by which Government Decree No. 46 of the year 1924 was once again put into force and has remained so uninterruptedly up to this day.

The cooperation of the National Bank in carrying out exchange regulations is based on § 41 of the Bank of Issue Act of 1920 (No. 347 in the Collection of Laws and Decrees) as amended and supplemented by Article III of an Act of Parliament of 1925 (No. 102 in the Collection of Laws and Decrees) which provides that in so far as transactions in exchange, foreign media of payment and assets shall, for State or general reasons be placed under control, the National Bank, either entirely or in part, shall be entrusted with such transactions and their control.

In contradistinction to the exchange rules by which other countries have placed restrictions upon these transactions, the Czechoslovak exchange rules allow of considerable freedom, being confined generally to an adjustment of payments and disposal of claims, without any interference with the relations of the contracting parties at the time of concluding their agreements and contracts. This character of our exchange law is based in principle on the fact that while in many countries a disproportionate credit debt to foreign countries and other moments were the reason for introducing a system of exchange control, the attitude of Czechoslovakia, especially in the year 1931, was one of pure defence.

After the War the old Austrian exchange regime as adjusted by Order of the Minister of Finance No. 233 of the year 1918 and by the Act of Parliament No. 307 of the Imperial Code of the year 1917 applied to our State territory. Transactions in exchange were restricted, and only the members of the "Central Office for Dealings in Foreign Currency" (Exchange Central) were authorised to deal in foreign media of payment. The first change in this state of affairs was made by the Order of the Minister of Finance (No. 47 in the Collection of Laws and Decrees, 1919) by which a "Czecho-

slovak Central Exchange Office" was set up in connection with the Prague Clearing House in February 1919, an Office which took over the rights and duties of the Austrian Central Office. According to the statutes of the new body its members, nominated by the Minister of Finance, were under the obligation of placing at its disposal all free exchange, while in return the Central Office covered their requirements in foreign currency according to the decision of a special committee of censors, regard being paid to the urgency of the proposed payment and the state of the Office's ready funds, and preference being given to the requirements of the State and public corporations for meeting their foreign obligations. According to the amounts of incoming exchange and the demand for exchange a five-member committee determined daily the rates of the individual exchanges. The necessity of paying due regard in allotting exchange particularly to the general economic conditions prevailing in the Republic led to close cooperation between the Central Exchange Office and the Czechoslovak Export and Import Commission and its successor the Foreign Trade Commission established in November 1919 at the Ministry of Commerce.

The functions of the Exchange Office were taken over on the 26th of April 1920, in virtue of Government Decree No. 644 of the year 1919, by the Bank Office of the Ministry of Finance which exercised them up to the year 1926 when its duties in this connection devolved upon the National Bank.

In the year 1923 the first legislative measure of defence for the Czechoslovak currency was passed in the form of the Act of Parliament of 14th December 1923 (No. 7 in the Collection of Laws and Decrees, 1924), the § 2 of which empowered the Government to regulate dealings in foreign media of payment and precious metals by decree, to fix the rules for their import and export, to adjust the question of credit transactions with abroad, and the like. These powers were availed of in 1924, and on the 29th of February of that year there was promulgated Government Decree No. 46 of 1924 which still continues in principle to be the pillar of support of the entire system of exchange control in Czechoslovakia.

Government Decree No. 46 of the year 1924 states in particular who is authorised to deal in foreign media of payment, fixes the maximum amount to which payments may be made to other countries without a permit from the National Bank (with certificates issued by the authorised banks, or without), adjusts arbitrage transactions, lays down the method of making remittances and of crediting

amounts in Kč to foreigners, defines the competence of the Post Office Savings Bank upon which it bestows the rights of a bank dealing in exchange, fixes the terms upon which exchange arising from export trade is to be surrendered, and upon which the compulsory offer of exchange on the stock exchange is to be made, the conditions of credit transactions with abroad (credits granted to other countries and credits raised abroad, credits in foreign currency and credits in Kč), and terms concerning forward delivery. The Decree also comprises regulations for the effective transfer of foreign and our own currency and securities to and from abroad, regulates the export and import of precious metals, lays down prescriptions for the import and transit of monies and financial values in tourist traffic and the like. Finally it lays down penalties for breach of its provisions. Offences in regard to exchange are, in accord with the provisions of Act of Parliament No. 7 of the year 1924, punishable as administrative delicts.

On the formal side Government Decree No. 46 of 1924 adjusted certain questions of exchange policy itself in definitive terms, while on the other hand it left it open to the Bank Office of the Ministry of Finance to act within its scope according to the requirements of the moment by the issue of its own regulations in certain matters. This facility was availed of for the first time when the Bank Office on the 3rd of March 1924 issued an Order laying down detailed regulations as to the amount and manner of effecting individual exchange transactions in so far as Government Decree No. 46 of 1924 had delegated the decision regarding them to the Bank Office. At the same time the Bank Office issued "Regulations for Dealings in Exchange". This condition of things continued in broad outline up to the beginning of the year 1927. In view of the favourable exchange situation, however, the practice of the Bank Office, and later that of the National Bank, gradually took on more liberal forms, and a formal declaration of this more liberal regime was made in an Order issued by the National Bank on the 17th of January 1927 (an increase in the free limits for remittances abroad to Kč 20,000 — Kč 50,000 — and Kč 250,000 respectively, increased maximum for the surrender of foreign currency, reduced restrictions on the export of precious metals and exchange, facilitation of payments in respect of tourist traffic and postal communications, etc.).

A favourable development in the balance of payments made it possible to pursue an equally liberal policy in succeeding years. At the end of September 1927 a further increase was made in the limit

to which dealings in exchange were entirely free, the export and transfer of securities to other countries was made wholly free, and at the same time the hitherto compulsory submission of documents on applications for allotment of exchange was done away with. The consolidation of conditions in Czechoslovakia and the absolute stability of the exchange rate of the Kč on foreign Bourses made it also possible in November of that year to substitute for the existing method of ensuring rates for importers the sale of forward exchange at the world market rates.

In July 1928 the National Bank introduced new alleviations which in many directions practically meant a complete liberation of exchange transactions from restriction. Expression was given to this order of things at the end of six months by the issue of Government Decree No. 209 of the year 1928 which annulled Government Decree No. 46 of 1924 as from the 31st December 1928, and substituted for it new regulations according to which for the future the consent of the National Bank was required only for arbitrage transactions in Czechoslovak crowns exceeding Kč 1,000,000, and for the granting of credits abroad in excess of Kč 3,000,000. The raising of credit abroad in Czechoslovak crowns in excess of Kč 10,000,000, and the granting of credit abroad to more than Kč 50,000,000 was made dependent upon the consent of the Ministry of Finance. The National Bank at the same time reserved to itself the right of requiring banks and firms conducting financial business to lay before it statements and reports of their transactions in so far as they were important from the angle of exchange business. All other transactions in exchange were made free. The manner in which this exemption from all restrictions manifested itself is dealt with elsewhere.

The crisis in international confidence that broke out in full force after the collapse of the Austrian Creditanstalt and which reached its culminating point after the collapse of the Därmstädter and Nationalbank in the year 1931 resulted in there being felt in Czechoslovakia as early as the second quarter of that year the consequences of the withdrawal of foreign capital in the form of demands which the exchange market was no longer able to satisfy. The National Bank was therefore compelled to undertake considerable intervention with the result that by the end of September 1931 some 1600 million Kč of its exchange reserves had been exhausted. It soon became clear that the exchange stocks of the National Bank could not for long, in the prevailing atmosphere of distrust throughout the world, hold out against this test of its capacity, but it continued to delay

reintroducing exchange restrictions until the pressure of circumstances arising from an unfavourable balance of payments compelled it to do so.

On the 2nd of October 1931 Government Decree No. 152 was promulgated which once more put into force Decree No. 46 of the year 1924, thus reintroducing a controlled system of exchange — for the time being in the same scope as at the end of the year 1928.

Government Decree No. 46 of the year 1924, which had come into being in wholly different circumstances from those under which it was now reinstituted, did not fully suffice for its task, and it was therefore necessary to supplement and amend it. The same applies to Act of Parliament No. 7 of 1924 concerning the protection of Czechoslovak currency. Both measures took their rise at a time when for the most part provisions relating to individuals or groups of individuals sufficed for the protection of the currency, whereas the second epoch of exchange restrictions, commencing in the year 1931 brought with it the necessity of providing protection against States that declined to pay, and of regulating by contract or automatically the system of payments with countries that had ceased to fulfil their obligations to other countries, and so on. Measures adequate for the first, and comparatively primitive, period were inadequate for this second period when it became necessary to take precautions in the most varied places and in the most different ways. Three amendments to Act No. 7 of 1924 concerning the protection of Czechoslovak currency were therefore successively passed, and in the same way it was essential to supplement and amend Government Decree No. 46 of the year 1924 if it was to meet the new demands made upon it. In addition to this, the National Bank was able to adjust certain matters within the scope of Government Decree No. 46 and the Decrees supplementing it by means of the Bank's own regulations, orders, and, in some cases, circulars addressed to the banks authorised to deal in exchange. All these opportunities were fully made use of.

The first supplementary measure to Government Decree No. 46 of the year 1924 was effected in December 1931 by the promulgation of Government Decree No. 179 of that year. This gave the National Bank a general authorisation enabling it, in accord with the Minister of Finance, when carrying out international agreements for the settlement of payments, to lay down that payments by Czechoslovak debtors to a State party to the agreement should be made, whether payments in general or payments only in respect of certain titles, solely

through the National Bank or some other particular institution. This measure gave the Bank, on the basis of an authorisation from the Ministry of Finance, the opportunity of prohibiting, either wholly or partially, transfers of payment to countries which in any way restricted transfers to Czechoslovakia. Government Decree No. 179 of the year 1931 became the legal basis of all our later international agreements concerning the settlement of payments, that is, clearing agreements and adjustments.

In January 1932 Government Decree No. 7 of the year 1932 was issued which established an Exchange Commission at the Ministry of Finance, the duty of which was from time to time to fix upon the categories of goods for the payment of which the National Bank can, by decision of this Commission, allot the necessary exchange. The issue of exchange licences for goods which, according to the decision of the Exchange Commission, fall within the exchange licence regime, was taken over by Exchange Department B of the National Bank established in connection with the Exchange Commission by Regulations of the National Bank No. 8 of the year 1932. Lists of goods subject to the licencing regime were published by the Exchange Commission in the official Gazette. The first list was published on the 19th of January 1932.

In July 1932 the first efforts were made to prevent the illicit export of Czechoslovak bank-notes. To this end was promulgated Government Decree No. 118 of the year 1932, which supplemented § 12 of the Government Decree No. 46 of 1924 by providing that it should henceforth be possible to credit payments in Czechoslovak currency arriving in cash from abroad exclusively to the blocked account of a foreigner at some bank. This measure did not at first produce the desired effect, mainly for the reason that it did not eliminate the opportunity which the Czechoslovak exporter was given by § 16 of the Government Decree No. 46 of 1924 of having Czechoslovak bank-notes sent him from abroad in payment for the goods he had exported. This problem was not solved in its entirety till an amendment to § 16 was effected by Government Decree No. 225 of the year 1935 in connection with Regulations No. 228 of the National Bank of that year by which Czechoslovak creditors were forbidden to receive Czechoslovak bank-notes from abroad, and simultaneously the export of bank-notes was absolutely prohibited by Regulations of the National Bank (No. 223 in the Collection of Laws and Decrees, 1935).

In 1932 the first amendment to the Act for the protection of Czechoslovak currency was made by Act No. 121 of that year. On



the formal side the matter was so effected that certain paragraphs of the Act No. 7 of the year 1924 were suspended, and replaced up to the end of July 1934 by new provisions corresponding better to the requirements of the moment. Changes were made particularly in the provisions of § 2 comprising the general authorisation already mentioned for the Government to adjust the exchange system by means of decrees. This authorisation was extended, and exchange offences were declared to be fiscal delicts, and the penalties substantially increased. The penalties laid down in Government Decree No. 46 of the year 1924 remained in force solely for offences committed up to the proclamation of Act No. 121 of the year 1932. The remaining provisions of Act No. 121 are of a more subordinate character, defining the question of liability to prosecution, of prescription, forfeiture of confiscated monies and securities, etc.

A second amendment to Act No. 7 of the year 1924 was provided by an Act of the 19th June 1934 (No. 113 in the Collection of Laws and Decrees) and prolonged Act 121 of 1932 for a further two years, and again amended the terms of § 2, defining more precisely the individual powers of the Government, and authorising it again in express terms to lay down by Decree what formalities are essential in the case of the import and export of goods. Other changes carried out by this second amendment are again mostly relative to penalties.

In the year 1936 Act 121 of the year 1932 was once again prolonged, this time to the end of 1940, and again with some subsidiary changes.

In March 1933 Government Decree No. 46 of the year 1924 was supplemented, in so far as payments in Czechoslovakia in favour or on the order of a foreigner were concerned, by Government Decree No. 55 of 1933 which made these payments expressly contingent upon a permit from the National Bank. In the second part of this Government Decree primary conditions were laid down for the National Bank for a control of imports and thus for a control of our obligations to several States in respect of the purchases of goods. The opportunity of this control was also availed of provisionally in 1933 in so far as imports from Bulgaria, Yugoslavia, Hungary, Germany, Rumania and Greece were concerned.

By Government Decree No. 225 of 1935 certain changes were made in paragraph 15 of the Government Decree No. 46 of 1924 which adjusted the surrender of exchange accruing from export trade. The exporter is for the future under the obligation of surrendering his

export exchange immediately his claim becomes payable, and not, as was formerly the case, only when he receives notice that it has been credited to him at some foreign bank. A new provision contained in Government Decree No. 225 of the year 1935 is that the Czechoslovak owner of a claim abroad must, on official request, show that he has done all he could to secure that his foreign debtor should pay without delay.

Government Decree No. 135 of the year 1936 dealing with the disposal of claims against foreign debtors contained an exception to the general provisions of the civil law in that it provided that an authorised creditor could only instruct the National Bank to pay a claim accruing against him on the title of payment with some clearing State in any other manner than fixed in the announcement of the foreign clearing office if it was a matter of an already existing claim, that is, such as had already been reported by the foreign clearing office to the National Bank, and reported further by the Bank to the Czechoslovak creditor. It was thus made impossible for the future for the National Bank to be bound by disposals of claims not yet deposited at the clearing offices abroad.

Within the scope of Government Decree No. 46 of the year 1924 and of the government decrees supplementing it the National Bank is able to adjust certain questions in detail which in their broad outline have already been settled by Decree. The Bank can, in particular, fix the limits up to which certain exchange transactions (the export of securities, the granting of credit abroad, remittances by post, through the Post Office Savings Bank, the allocation of exchange by the authorised banks from their own stocks, etc.) can be carried out without the consent of the National Bank. These more detailed prescriptions were usually issued at the outset in the form of a circular to the banks authorised to deal in exchange. This form was later, however, only employed where it was a matter of the issue of rules applying exclusively to banks (reporting stocks of exchange, the accounts of foreigners kept by the bank, incomings of exchange accruing from exports, etc.). Some of the prescriptions of the National Bank were published in the form of Notifications in the Official Gazette, or finally by announcement in the daily press (notification of the granting by the Zemská Bank of advances on clearing claims, etc.). More important matters, and especially those of course in the case of which this form was prescribed by the relative Government Decree authorising them (tourist traffic, detailed prescriptions concerning compulsory surrender of exchange, the supervision of assets

abroad, etc.) are dealt with by the Regulations of the National Bank promulgated by the Minister of Finance in the Collection of Laws and Decrees. In this manner were notified in particular the international payment and clearing arrangements.

In the years 1931, 1932 and 1934 regulations were issued for a registration and compulsory offer to the Government of all foreign media of payment, assets abroad, precious metals and securities. The first compulsory surrender in the year 1931 (Government Decree No. 159 in the Collection of Laws and Decrees of that year) applied to foreign media of payment and assets in foreign currency, but not to precious metals. The owners of foreign securities lodged abroad, in so far as they acquired them after the 2nd October 1931 were called upon to submit a list of them. On the occasion of the second compulsory surrender (Government Decree No. 132 in the Collection of Laws and Decrees of 1932) this applied only to assets in foreign currency and to foreign media of payment; it did not include precious metals or securities. It was only on the occasion of the third compulsory surrender under Government Decree of the 10th September 1934 (No. 202 in the Collection of Laws and Decrees) and the supplementary provisions of Government Decrees Nos. 218 and 242 of the year 1934 that it was made compulsory to submit a list and offer to the National Bank all foreign media of payment, assets abroad in whatever currency they figured, all minted gold and silver, unworked gold, silver and platinum, as well as securities in foreign currency or of foreign origin in so far as their value exceed Kč 5,000.

Finally it is necessary to make mention also of Government Decree No. 122 of the year 1936 and of the Regulations of the National Bank Nos. 123, 137 and 267 respectively of the year 1936 by which the exchange regulations were in that year extended as regards dealings in precious metals. Under these prescriptions dealings in precious metals are restricted to a wide circle of persons and firms possessing a trade licence for the manufacture or sale of goods made of precious metals, who actually carry on such sale or manufacture, and who are subject to the supervision of the assay authorities. Other persons or firms may only deal in precious metals if they secure a special authorisation for this purpose from the Ministry of Finance. The National Bank may reserve to itself dealings in precious metals and fix detailed regulations and standard prices for the purchase of precious metals by authorised persons. By Order of the Ministry of Finance (No. 123 in the Collection of Laws and Decrees of 1936, these regulations were confined to gold, and the relative rules

issued by the National Bank fixed details for transactions in gold and standard prices for that metal.

In view of the abnormal economic and exchange conditions, the National Bank had interest in seeing that claims accruing from export trade should be kept in evidence. Such a registration would, among other things, give a survey of the extent of these claims and their distribution for the time being among the debtor countries.

The keeping of this register (register of export claims) was entrusted up to the second half of the year 1934 to the audit department of the Ministry of Finance. In the course of time, however, it was seen to be expedient to organise this record of export claims from a new angle and with the collaboration of exporters themselves. By a Government Decree of the 6th September 1934 (No. 198 in the Collection of Laws and Decrees) this agenda was transferred to the Exchange Department B of the National Bank, and exporters were at the same time required to submit every month to this Department "statements of claims arising from the export of goods and of payments received under that title". The banks authorised to deal in exchange were called upon likewise to report all sums received from abroad in Kč in payment of exported goods. To this Government Decree the National Bank issued detailed explanations in its Regulations No. 201 of the year 1934; and by its Regulations of the 27th October 1934 (No. 227 in the Collection of Laws and Decrees) the National Bank amended the original duty of sending in monthly statements for all States except Germany to quarterly statements. In view of the extent and special character of the mutual trade with Germany the duty of sending in monthly statements in respect of that country remained in force.

Claims in respect of exported goods are registered straight away as they arise, that is, when the goods leave for abroad, on the basis of the "notification of export of goods". The duty of annexing this "notification" to the bills of consignment was imposed upon exporters in the year 1931, shortly after the reintroduction of exchange control, by Government Decree of the 16th October 1931 (No. 159 in the Collection of Laws and Decrees) which was subsequently amended by the above cited Government Decree No. 198 of the year 1934.

The notifications which must contain, in addition to the name of the exporter, the country of destination to which the goods are invoiced and the amount which has been charged for the exported goods, are fundamental documents for the register of claims accruing from export trade. In order to supervise the fact of the claims

having arisen by a legal method of payment, various vouchers must be produced and sent to the Exchange Department B by the authorised banks in every case.

The surveys of the status of claims in the individual countries compiled on the basis of these export statements are utilised for the exchange policy of the Bank of Issue, and are at the same time important aids for the numerous negotiations which take place concerning the system of payments with abroad.

## THE DEVELOPMENT OF EXCHANGE POLICY.

The separation of Czechoslovak currency from that of the former Austro-Hungarian Monarchy under the terms of the Act of Parliament of 25th February 1919 (No. 84 in the Collection of Laws and Decrees) opened up the era of independent administration of the Czechoslovak currency at a time when practically everything was lacking that was essential for successful external administration of the currency.

When the currency was made independent it was naturally essential to introduce control of exchange transactions. This was done by Government Decrees Nos. 47 and 644 of the year 1919. The external administration of the currency was entrusted to a newly inaugurated institution—a Central Exchange Office—alongside which there also functioned a special import and export commission (Decree No. 43 of the year 1918). The duty of the Central Exchange Office was to concentrate and regulate the demand and supply of foreign currency. This institution, owing to lack of the requisite means, could only pursue exchange policy in the true sense of the term somewhat imperfectly. To enable it to fulfil the duties devolving upon it, the Government issued for subscription (under Act of Parliament No. 88 of the year 1919) a State Exchange Loan, and the yield of this loan to the amount of some 400 million Kč represented the commencement of the exchange portfolio and stocks of precious metal in our State.

When the internal organisation of the Banking Office of the Ministry of Finance as the provisional Bank of Issue of our State (inaugurated in March 1919) had been completed, this Office took over in the Spring of 1920 the functions of a central exchange office, and thus concentrated in itself the administration of the currency from both the internal and external angle. From that moment dated

a continuity of exchange policy up to the beginning of 1934 when, despite a change in the headship of the Bank of Issue the new management linked up with the tradition already established, and continues along the same lines.

The efforts of the Banking Office and its leading factors were directed from the outset towards creating the essential atmosphere of confidence, and putting an end to the considerable oscillations of the exchange rate of the Kč. A stabilisation of the rate of the Kč was regarded as the first task of the currency policy and was designed to be achieved at the so-called natural rate, that is, the rate corresponding to the relation of Czechoslovak prices to prices abroad. To carry out the policy of currency stabilisation at this juncture was unusually difficult, and the Banking Office, in view of its inadequate reserves, was obliged for the purpose of its intervention activities, to have resort to short-term exchange loans raised abroad.

These lines of policy were maintained, however, only to the end of 1921 when they were succeeded by the policy of raising the exchange rate, thus leading to a deflation policy. An impulse to a change in currency policy came early in 1922 from domestic quarters, but other countries readily accommodated themselves to it and exploited the new situation for speculation in the sphere of finance and foreign trade. The epoch of this policy which lasted to the middle of the year 1923 left cruel traces in the Czechoslovak economic system (losses on supplies, heavy burdens of debt, pressure of imports from abroad, insolvency, a crisis in banking). Nearly all the accumulated reserves of foreign exchange—especially those accruing from the Anglo-American Loan of 1922 and the foreign loan of the City of Praha—were exhausted, so that afterwards very special efforts were needed to maintain the rate of the Kč at a level that was more than 100% in excess of the average level of 1921.

It was a matter mainly of protecting the currency against internal and external speculation and of definitively ensuring its stability. The year 1923 which brought with it the occupation of the Ruhr and the first waves of economic depression after the War, added to a sharp banking crisis in our own country, was by no means favourable to efforts at stabilisation of the currency, and it was therefore necessary to mobilise all means and forces for averting the catastrophe which at that time threatened our currency. That year was from the psychological angle the most critical for the Kč, for in the neighbouring countries inflation was carried on to excess, and international

speculation fed by the atmosphere of political distrust, not only did not spare the Kč but undermined it wherever and in what manner it could. It was at this time that the exchange regime was tightened up, as outwardly expressed in the introduction of the so-called system of ensuring exchange for import requirements, and also in the elaboration of new exchange regulations on the basis of the newly issued law for the protection of the currency (No. 7 in the Collection of Laws and Decrees of 1924). That the efforts to protect the value of the currency and to maintain its relative stability in such critical times were successful was the merit of the men who were at the head of the Banking Office and who fought with every determination against the general psychosis and adverse conditions of that epoch.

Later on the tension centering round the currency was relieved, thanks to an improvement in the economic situation, and the Czechoslovak crown finding, after the excesses of the deflation period, its natural level of exchange, developed quietly and without convulsions. In the sphere of home economic conditions, of course, the phenomena of the deflation process continued on into the year 1926. As early as 1924, however, there commenced for the sector of currency and exchange policy a second period of stabilisation known also as the consolidation period, which lasted until the introduction of the gold standard in the year 1929. This consolidation period is notable for the fact that by the passing of an amendment to the Bank of Issue Act in April 1925 this Bank was entrusted with the task of maintaining the exchange rate of the Kč in relation to the full-value foreign currencies, at the level of the past two years, secondly it is notable for the fact that on the 1st of April 1926 the National Bank of Czechoslovakia commenced its activities, and finally, that after raising of the exchange control at the beginning of 1929 the Czechoslovak crown in Autumn 1929 was by virtue of a measure passed by the Standing Committee linked up with gold.

#### THE PERIOD FROM 1926 TO 1929.

The establishment of the National Bank of Czechoslovakia, as the responsible guardian of the currency took place after a favourable 2½ years preceding development when it was obvious that the Kč had found a firm place in the international currency system, that the exchange reserves were adequate for meeting the temporary shifts in the balance of payments, and that, finally, internal and international consolidation had so far developed that the National Bank

could without fear undertake the fulfilment of the responsible currency task which Dr. Engliš, on handing over as Minister of Finance the administration of the currency to the National Bank of Czechoslovakia characterised in the following words: "I place in the hands of the National Bank of Czechoslovakia our most precious jewel, the Czechoslovak crown, which is the attribute of our liberty and independence. I hand it over to the autonomous Bank of Issue with the earnest hope that the Bank will foster it, as a child entrusted to it, with care and affection, so that it will never be an anxiety to any citizen, that everyone who accepts our crown may know for certain that the value it has it will have to-day, tomorrow and for decades to come."

On the inauguration of the activities of the National Bank in 1926 the Czechoslovak crown had a metal and exchange cover to the extent of 28% of the total circulation and of cheque account balances (after deduction of the State-note debt to the amount of over 70%). Efforts to balance the State Budget by a reduction of expenditure continued to meet with increasing success; foreign trade showed a growing favourable balance which from 1924 to 1926 reached a level of approximately 4,750 million Kč. In Europe as well as outside the Continent a consolidation of political and economic conditions was gradually in process, currency inflation ceased, and a stabilisation of currencies on a gold basis had begun. Thanks to these favourable conditions the National Bank was able to fulfil its currency task in 1926 without the slightest difficulty. The stocks of precious metal remained on the whole unchanged, but those of foreign exchange registered a considerable increase, accruing from the surpluses of exchange in respect of exports as well as from incomings of foreign media of payment from other sources. In these conditions it was of course unnecessary to have recourse to the exchange credit (the so-called revolving credit) secured by the National Bank with the consent of the financial authorities from the National City Bank of New York to the amount of \$ 20,000,000, a sum which was to serve as a currency reserve according to Art. XXVI of the Amendment to the Bank of Issue Act. The Czechoslovak crown had for more than three years past been stabilised on the basis of  $\$2.965 = \text{Kč } 100$ , the rate was subject merely to the most insignificant movements, while the provisions of the amendment to the Bank of Issue Act (No. 102 in the Collection of Laws and Decrees of the year 1925) which laid upon the National Bank the duty of maintaining the relation of the Czechoslovak crown to the full-value foreign currencies



at the level of the preceding two years, only strengthened that state of affairs.

A similar development can be observed in the year 1927. Dr. Po-pišil, the Governor, speaking at the annual general meeting of the National Bank on the 23rd February 1928, said that if the year 1926 could be designated as favourable from the angle of the duty of the National Bank to see to the stability of the exchange rate of the Czechoslovak crown within the limits defined by law, the same could be asserted with still more justification of the year 1927. The Czechoslovak trade balance was again highly favourable, international credit expansion enabled the Balkan and Central European States to offset the deficit of their balances of payments, and allowed them to pay for the purchases of our goods by free exchange; the crown had been stabilised for the past three years at \$ 2.965 = Kč 100. The favourable balance of foreign trade, increased tourist traffic in Czechoslovakia and the return of capital from abroad as a result of the new law concerning direct taxation (No. 76 in the Collection of Laws and Decrees of 1927) made it easily possible to make good the deficit items of the country's balance of payments. This favourable development encouraged an increased repatriation of Czechoslovak securities and Czechoslovak property from foreign holding. The exchange rate of the Czechoslovak crown remained throughout the whole year practically without change; in New York it was quoted in the first few months of the year at \$ 2.9625 = Kč 100, and later at \$ 2.96375 = Kč 100. The stock of exchange at the National Bank was, it is true, at the end of June 1927 lower by some 400 million Kč, but from July onwards there was a rise which not only completely made good that decline, but by the end of the year even produced a growth of over 400 million Kč, compared with the condition of affairs at the close of the year 1926. The favourable exchange situation made it possible to relax to some extent the exchange restrictions as early as January 1927, while in the Autumn further alleviations were made. The revolving credit at the National City Bank of New York, after the term of one year for which it was originally secured, was renewed but only to the amount of \$ 15,000,000, and even that was made no use of during 1927.

The exchange situation moved along equally favourable lines in the year 1928. The stock of exchange at the end of 1928 was some 100 million Kč more than at the close of 1927, notwithstanding the fact that in the first four months of the year the reserves had been depleted to the amount of 1,500 million Kč, largely through the re-

payment of the 7½% foreign loan of the year 1925, notice having been given for repayment on 1st April 1928 (balance of \$ 22,443,750, that is, about 760 million Kč). For this repayment the financial authorities secured the means by raising a 5% internal loan of 500 million Kč nominal. The payment of this loan, as well as an eflux of our capital abroad in the early months of the year 1928 partly for the purpose of deposit at higher rates of interest and partly for the purpose of investment on foreign stock exchanges, coupled with stagnation in sugar exports and the resultant drop in incomings of exchange, were reflected in the temporary decline in the stocks of exchange above mentioned at the beginning of 1928 and in increased stringency in the money market. The favourable balance of trade declined, it is true, from 2,174 million Kč to 2,033 million Kč (that is, by 6.49%), but still represented the biggest item on the assets side of the balance of payments for 1928. In this year, too, tourist traffic in Czechoslovakia showed an upward tendency. The exchange rate of the Czechoslovak crown was absolutely stable throughout the year (\$ 2.96375 = Kč 100). The revolving credit to the amount above mentioned was prolonged to the 19th July 1929 without any use being made of it, and the National Bank, in view of the consolidated economic conditions throughout the six-year period of currency stability and of the rising stocks of exchange, was able to propose to the finance authorities that exchange transactions should be wholly freed from restrictions.

The freeing of exchange dealings which took place, under the terms of Government Decree No. 209 of the year 1928, at the beginning of 1929, had a far-reaching effect. The control of exchange transactions, as it had hitherto existed, had meant a certain isolation of the Republic and certain independence of financial conditions abroad. As long as the State possessed in the control of exchange a means of keeping home capital available for the home money market it had also the power to influence the reduction of rates of interest. As soon, however, as the control was raised, capital immediately began to flow out to foreign countries according to the law of connected vessels. The raising of exchange control synchronised with the cessation (because of the high cost of credit) of the eflux of capital from U.S.A., and with the inflow of short-term credits in large quantities from Europe to the United States. The eflux of capital manifested itself necessarily at home as a brake upon the efforts towards a lower level of rates of interest and on the other hand in a decline in the stocks of exchange at the National Bank in the early

months of 1929. Nor did the introduction of a free exchange system remain, of course, without influence upon the rate of the Kč. Whereas, under the system of exchange control the National Bank had maintained a firm and on the whole unchanged relation of the Kč to the \$, the exchange rate of the Kč, when transactions became free, was formed under the pressure of supply and demand. Nevertheless no considerable oscillations occurred. The margin between the highest and the lowest quotation of the Kč in New York ( $2.96-2.97 = \text{Kč } 100$ ) was less than the margin given by the gold points and did not in all exceed 0.32%.

This year saw the culmination of the efforts to adjust the Czechoslovak currency in definitive fashion, and to arrive at either a gold standard or gold exchange standard. Preparations for legalizing the gold standard were commenced in the Spring of 1929. The objection was raised that the consolidation process, the culmination of which was to be the gold currency, was not yet complete. In the meantime an adjustment of reparation payments in connection with the Young Plan was made, and negotiations opened for the establishment of a reparations bank, in which it was originally intended only the countries with a gold standard or gold exchange standard could participate. Despite the fact that by Act of Parliament No. 102 of the year 1925 the Czechoslovak crown had been indirectly stabilised in relation to the full-value foreign currencies, our currency, according to international usage, was regarded as neither a gold standard nor a gold exchange standard, since its relationship was not expressed in terms of gold. The establishment of the Bank for International Settlements at Basle as a forum for cooperation among the Banks of Issue of the countries with stable currencies gave the impulse for Czechoslovakia, while economic conditions were still favourable, to express her currency in fixed terms of gold. The Currency Act introducing the gold standard was thus approved of as a necessity on the 7th of November 1929 by the Standing Committee of the Czechoslovak Parliament, and promulgated under No. 166 in the Collection of Laws and Decrees of that year.

The legalization of the gold standard produced no changes on the material side. In place of the relation of the Kč to the United States \$ as hitherto the National Bank was required to maintain the Kč at the parity of  $\text{Kč } 1 = 44.58$  milligrammes of fine gold. This corresponded to a parity of  $\$1 = \text{Kč } 33.7513$ , or  $\text{Kč } 100 = \$2.9629$ . As the development of the exchange rate of the Kč in relation to the \$ for the preceding four years shows, the Kč had been maintained with

very slight variations at that level, and the gold content of the Kč as now fixed by law corresponded to its actual relation to the \$ as stabilised in those years. By virtue of the measure passed by the Standing Committee the Czechoslovak crown became *de facto* a gold currency. The actual fiduciary circulation (bank-notes in circulation plus cheque account balances without deduction of the State-note debt) was taken as the basis of calculation of the cover, and only gold, foreign currency and full-value foreign exchange were included in the cover. Cover had to consist to the extent of at least half of gold, and was to amount by the end of 1919 to 25% of the circulation, by the end of 1930 to 30%, and by the end of the year 1935 to not less than 35% of the circulation. The regulation that at least half the cover must consist of gold was intended as a certain corrective to the principle of the gold exchange standard, and was really designed to strengthen the position of the National Bank. It was left to be fixed by Government Decree when the convertibility of bank-notes into gold should be introduced.

The year 1929 represents a certain milestone from another standpoint. The volume of our foreign trade reached its peak in that year. Beginning with the year 1930 the volume started to decline, and this decline was not checked until 1934. Simultaneously the favourable balance of trade dropped from 2,016 million Kč in 1928 to 497 million Kč in 1929. Thus the most important asset in our balance of payments was appreciably lower than in the preceding years. Compared with assets abroad to the amount of 2,509.9 million Kč on the 31st December 1928 the National Bank carried forward to the year 1930 such assets to the amount of only 2,269.5 million Kč. At the same time, however, the gold reserve rose by 104.7 million Kč compared with the 1,156.67 million Kč registered at the close of 1928.

In the period from 1926 to 1929 the consequences of the first deflation crisis, the inception of which went back to the year 1922, were overcome at home thanks to the economic upswing and to the Government policy which was directed towards reducing public burdens by a reform of direct taxation, rehabilitation of banking, and the creation of a liquid money market without recourse to foreign credits. Economic conditions abroad also reached their height of prosperity under a considerable measure of freedom of international movement for capital and commodities. In these circumstances it is not surprising that the final aim of Czechoslovakia's exchange and currency policy should have seemed to be within reach—an adjustment that would place this country on a level with the great and wealthy States of

the West. The concluding features of this development were the lifting of exchange restrictions and the linking up of the Czechoslovak crown to gold. All this was attained, however, really at the moment when the bases of the economic and financial structure that had hitherto signified an era of prosperity for the world began to change.

What seemed in 1929 to be the culmination point of our policy soon revealed itself as a grave disadvantage. After the lifting of the exchange restrictions in 1929 capital soon began to flow from the country, at first as yet for speculative purposes to the West European and American stock exchanges—that is, for purposes of profitmaking, but later there existed no effective checks against precipitate movements when the wave of distrust struck the Central European credit area too, and when the reason for the flight of capital was now a direct fear of risk and of losses.

Under a system of free exchange our capital reserves rapidly became exhausted, and then pressure was exerted on the level of interest rates—quite the opposite of the previous state of affairs when the system of controlled exchange supplemented and facilitated credit policy at home.

In the course of the world economic crisis that was now setting in a second disadvantage manifested itself. The linking up of the Czechoslovak crown to gold had been accomplished on the threshold of this great crisis, the first symptoms of which our economic system had observed indeed as early as 1928 in the sugar industry. By the step just mentioned our currency had been linked up to gold that was going through a process of appreciation. An appreciation of a gold exchange standard unit signifies however, a reduction of the whole system of economic figures, and thus a deflational pressure with all its accompanying difficulties for home economic policy. Where the process of deflation is incomplete, the appreciation of gold produces a disparity between the external and internal purchasing power of the currency unit, and this in its turn gives rise to difficulties in the sphere of foreign trade. Our economic system, like that of the other countries of the gold bloc, had to battle with these difficulties up to the beginning of 1934, Belgium up to the year 1935, and the other countries of the gold bloc up to October 1936.

#### THE PERIOD FROM 1930 TO 1933.

In the fourth year of the activities of the National Bank signs of the spreading world crisis began to manifest themselves clearly. The appeasement in the world expected after the adjustment of re-

paration questions carried out in 1929, did not materialise; on the contrary a crisis of distrust and uncertainty began to spread, the consequences of which manifested themselves in the sphere of credit in a complete dislocation of the functions of the capital markets. The offer of long-term capital from the United States ceased, the impossibility of securing new credits made essential a mobilisation of export surpluses at all costs, and the service and amortisation of international debts which had hitherto been maintained by the influx of new long-term loans to the debtor countries, became difficult if not impossible. The pressure on the exchange stocks of the debtor countries resulted in their exchange rates dropping below the export point of gold, and gold sought a path to the capitally strong countries, particularly to France and the United States. The movements of gold attained such dimensions that they threatened to exhaust the gold reserves in several countries. A sharp drop in prices, especially those of raw materials in the world markets, after the American financial collapse of October 1929, completed the difficulties of the debtor countries. At the end of 1929 Argentina, Uruguay and Canada suspended payments in gold, and in 1930 Brazil, Chile, Venezuela, Paraguay, Peru, Australia and New Zealand depreciated their currencies. From the angle of currency the year 1930 thus represented a retrograde step.

In Czechoslovakia signs of the oncoming difficulties manifested themselves particularly in the decline of the total volume of foreign trade which attained a value of 33,222 million Kč, that is, some 18% less than in 1928. The favourable balance, however, was maintained, and indeed increased to 1,768 million Kč, being thus 1,250 million Kč more favourable than in 1929. This considerable improvement in the balance of foreign trade was also reflected in a rise in the stocks of foreign exchange by 177.6 millions to a total of 2,447.1 million Kč at the close of 1930. In view of the fact that the gold reserves of the National Bank also rose at the close of 1930 by some 283.1 million Kč as compared with the 31st December 1929, the growth in the stocks of exchange and gold during 1930 totalled approximately 460.8 million Kč. At the same time a change took place in short-term indebtedness, and in the short-term assets and claims of the Czechoslovak banks and enterprises in other countries. A favourable balance of 175.6 million Kč at the close of 1930 against other countries represented in foreign currencies an improvement of some 924 million Kč, compared with the close of 1929 when the balance was adverse to the amount of 748.4 million Kč, and bore witness to the eflux

of capital in the course of that year. Despite uncertainty and irregularity in the exchange situation it was possible on the whole to maintain the Kč steady in the year 1930, for the disparity between the highest and lowest quotations in New York in this year was not quite 0.3%, being thus slightly less than in the preceding year when the margin was 0.32%. The lowest rate was that of  $\$ 2.95\frac{7}{8} = \text{Kč } 100$  registered in New York on the 23rd January 1930, and the highest that of  $\$ 2.96\frac{1}{4} = \text{Kč } 100$  on the 25th August 1930.

In 1931 the world economic crisis began to effect Czechoslovakia too in more serious manner. The temporary appeasement in the Spring of this year was followed by growing tension in the international situation and by a shaking of general confidence. The negotiations for a customs union between Austria and Germany resulted in foreign short-term credits being withdrawn from Germany which had already begun to suffer from credit restriction in the Autumn of the preceding year. A similar lack of confidence was shown in the other Central European States and in the Balkan countries which, apart from that, were in a position of difficulty. The restriction of foreign credits which had begun in the concluding quarter of 1929, and the collapse of the prices of agricultural products forced the banks in those countries into an untenable situation. The difficulties of the Austrian Creditanstalt which had in 1930 taken over the Boden-Creditanstalt then in difficulties, were an indication that the tension in the sphere of credit was reaching its culminating point. In July the Darmstädter and Nationalbank in Berlin suspended payment, a moratorium was declared in Germany, the discount rate was raised to 15%, control of the exchange system was introduced and a stillstand agreement proclaimed. Austria and Hungary sought financial aid in Geneva, and the avalanche of the credit crisis bore down on other countries. It became known how largely England had participated in the credits granted to Germany, Austria and Hungary, and international capital now fled from London. England's balance of payments which had been deteriorating for a number of years was adversely affected again by these withdrawals. British securities came into the market. Between the middle of July and the end of September deposits to an amount of over £ 200,000,000 were withdrawn from London. American and French credits advanced to England to the amount of some £ 130,000,000 proved inadequate to stop this run. Notwithstanding an offer of assistance from New York and Paris, England on the 21st of September 1931 suspended the gold standard. The countries of Northern Europe and

some overseas countries followed England's example. Currency stability was in disintegration. Besides the countries that were abandoning the gold standard there were others that had experienced post-War inflation and well remembered its unhappy features. These countries strove to maintain their currency parity at all costs. They did so by the introduction of a system of exchange control, successively adopted by Spain, Hungary, Germany, Greece, Italy, Czechoslovakia, Finland, Denmark, Yugoslavia, Latvia, Austria, Bulgaria and Estonia apart from several overseas countries. In this connection various systems of control evolved. Sometimes it was only a matter of the prohibition of granting credits abroad, and of restricting payments abroad that were not justified on economic grounds, while in other cases all payments whatsoever to other countries were placed under restriction. Sometimes the allocation of exchange was restricted even for goods already imported, while in other cases a control of imports was conducted according to the exchange stocks of the Bank of Issue. These various methods of carrying out exchange control naturally did not improve international confidence. At this period the solidarity of the Banks of Issue manifested itself in an excellent light, for under the aegis of the reparations bank they readily at the onset of difficulties arising from the atmosphere of international distrust, granted aid to the Hungarian National Bank as well as to the National Bank of Austria. In this assistance the National Bank of Czechoslovakia also participated by contributing a sum of some \$ 1,041,000, of which the portion advanced to Hungary has not yet been repaid.

Thanks to the fact that our economic system of recent years had relied upon the accumulation of domestic capital, it proved a great asset for us at the first onset of the crisis that we were not burdened by any considerable public indebtedness to other countries, that the assets of the banks abroad were in excess of their obligations, and that even the short-term commitments of our industries abroad were not considerable. Greater difficulties for our economic system, however, arose from the fact that it was impossible to replace the capital and short-term credits withdrawn from us by the calling-in of the sums blocked in Germany and in the other debtor States whether they were purely financial claims or sums due for exported goods. When the uncertainty in this year reached its culminating point with England's abandonment of the gold standard, even Czechoslovakia had to resort to protective measures. On the 5th of August the National Bank raised its discount rate from 4% to 5%, and on the



22nd September again from 5% to 6½%, while on the 2nd October the control of exchange was restored for the time being to the same extent as it was at the close of the year 1928, that is, previous to the removal of exchange control by Government Decree No. 209 of the year 1928. If there had not existed complete freedom in exchange dealings since 1928 it would have been possible to check the eflux of capital with more success, and to mitigate the economic and financial difficulties now confronting the country. Discount policy of itself in the year 1931 no longer sufficed to meet the forces operating at home and from outside.

As conditions in the neighbouring countries deteriorated the Czechoslovak exchange regulations had also to be gradually supplemented and tightened up. The basic feature of the efforts to protect the currency under the renewed control of exchange in Czechoslovakia was the idea of making exchange speculation impossible. No restriction was to be placed upon the fulfilment of current, ordinary foreign obligations, and the National Bank was to allot media of payment for imports of every category of goods. Despite the fact that at the close of 1931 the difficulties as to payments in several of the neighbouring countries were such that our goods, supplied months before, had not been paid and our claims there become "frozen", no measures were taken by Czechoslovakia to restrict imports. It was only when in the last few weeks of the year conditions in the main markets for Czechoslovak goods further deteriorated to such an extent that in several countries restrictions were placed upon imports from Czechoslovakia, while at the same time it was apparent that Czechoslovakia was becoming a dumping ground for imports without a possibility of compensating herself by exports—only then were sharper measures of protection adopted. On the 18th of January 1932 an Exchange Commission was appointed which was to decide for what categories of imported goods the National Bank was to allot exchange exclusively according to the decision of the Commission.

Thus in the year 1931 the position of the National Bank substantially deteriorated. The Czechoslovak balance of payments developed favourably in the early months of the year but in June a gradual deterioration set in, especially as a result of movements of capital. The result of the withdrawal of short-term credit from Czechoslovakia was seen, of course, in the currency reserves of the National Bank. The fact alone that Czechoslovakia's indebtedness abroad was not excessive enabled the country to meet its obligations without any special difficulties or convulsions. Another moment which caused

a deterioration in Czechoslovakia's balance of payments was the fact that the favourable balance of trade could not find appropriate expression in the balance of payments, since the encashment of moneys accruing from exports met with increasing obstacles (moratoria, exchange restrictions, etc.), especially in the countries which provide the most natural and favourable markets for Czechoslovak goods. The sums due for exports which for these reasons could not be got in may be estimated at the close of 1931 at between 1,500 to 2,000 million Kč. That sum represents the actual loss of gold and exchange to the National Bank.

This unfavourable development of the balance of payments began to be reflected in the stock of exchange of the National Bank as early as in June when the Bank Return showed a decline of 122 million Kč in that item. In July the decline in exchange was 292.6 million Kč, in August 241 millions and in September a further 210 million Kč. After the increase in the discount rate, which failed, however, to check the outflow, and after the reintroduction of exchange control, the rate of loss of exchange slowed up, but in the last quarter of the year the Bank Return showed a further loss of 117 million Kč, while the gold reserve advanced. In the second half of the year the returns showed a drop altogether of 861 million Kč in the stocks of exchange while the gold reserve improved by 108.8 millions, so that the net loss in the currency reserve for that half-year was 752 million Kč. Throughout the year the exchange reserve as shown by the Bank Returns dropped from the original 2,447.2 million Kč at the beginning of the year to 1,059.9 million Kč, that is, by more than 50%. The gold stocks advanced in the course of the year from 1,544.6 million Kč to 1,648.8 million Kč, that is, by 104.2 millions, so that the net decline in the reserves of exchange and gold together was 1,283.1 million Kč, in which amount, however, is not included the actual losses of the National Bank through the depreciation of the £ sterling and the Scandinavian currencies. Adding to the sum the amount by which the assets of the commercial banks in foreign currency were reduced, that is, some 630 million Kč, it is clear that in 1931 Czechoslovakia lost in exchange funds approximately 2,000 million Kč, which could not be made good by simultaneously calling in our assets from abroad.

The abnormal influx of exchange to the coffers of the National Bank represented the outcome of the first compulsory surrender of foreign media of payment which it was necessary to call for in October so as to relieve the pressure on the exchange reserves of the National Bank.

It was found possible, none the less, to maintain the exchange rate of the Czechoslovak crown unchanged even this year. The margin between the highest and lowest quotation in New York was merely 0.169% of the parity, compared with 0.295% in 1930, and 0.32% in 1929. The highest rate in New York was recorded on the 2nd January 1931 and was 2.965; in February it dropped temporarily to 2.96, but from the 24th of that month to the end of the year was maintained at 2.9635. The vacillation of the rate of the Kč in Zurich was somewhat more pronounced, and it moved between 15.40 and 15. The last quotation of the crown in 1931 was 15.19 Swiss francs.

The rate of the Kč showed equal stability in the year 1932. Its movements on foreign stock exchanges were insignificant, and were exclusively the result of the changes which the other currencies underwent and to which the Kč merely accommodated itself. The disparity between the highest (2.9675) and the lowest (2.96125) exchange rate of the Kč in New York this year was 0.21% of the parity, compared with 0.169% in the year 1931, and the margin at Zurich was 1.69% as against 2.6375% in the preceding year.

The balance of payments developed still more unfavourably in the year 1932. Comparing the first and the last Return of the National Bank for the year 1932, one sees, it is true, a growth of 177.2 million Kč in the currency reserves (the gold reserve being higher by 58.1 million Kč, and the exchange reserve by 119.1 millions), but if we follow the trend of the currency reserves throughout the year we see that the balance is quite different than what it would seem to be at first glance according to the growth shown. The stocks of exchange showed a declining tendency from the very outset of the year, and at the beginning of April reached their lowest point, namely, 755.55 million Kč. On the 23rd April, however, the Return of the National Bank showed stocks of exchange to the amount of 1,242.43 million Kč. This growth, of course, was due to a quite exceptional source, namely, the yield of a French loan. Negotiations for this loan had opened as early as the Spring of 1931, but at that time, owing to the fact that the consequences of the world economic crisis could not be adequately foreseen, objections were raised to it which caused the negotiations to be unnecessarily protracted. In May 1931 when the Creditanstalt collapsed in Austria and a crisis set in in the sphere of confidence, the negotiations had to be postponed to the detriment of the entire economic system of Czechoslovakia. In the succeeding months the stocks of exchange declined further, but from the beginning of the Summer maintained in general the same level to the

close of the year, when the Bank Return of the 31st December 1932 showed it to be 1,029.03 million Kč.

The unfavourable exchange situation had its origin, first and foremost, in the adverse trade balance. Foreign trade in this year closed with the most unfavourable balance as yet registered. Not only did the total volume of trade drop by 40% compared with 1931, but the balance was adverse to the extent of 139 million Kč. The causes of the decline in foreign trade were various, apart from the fact that in the figures of turnover the drop in world prices was also reflected. The causes were partly on the export side, partly on that of imports. The difference between the purchasing power of the Kč at home and abroad, measured in gold, manifested itself as a brake upon our exports to the so-called Sterling bloc, while quotas and various licencing and exchange regimes made exports to other countries impossible. A reduced consumption of raw materials naturally manifested itself in a decline in imports, but this decline was far slower than the drop in exports, so that an adverse balance arose in respect of the most important item of our balance of payments, an item which had hitherto enabled us easily to offset the adverse items of that balance.

If we analyse the balance of trade of this year from the angle of payments, the situation appears still more unfavourable, to the deficit must be added the favourable trade balances attained to the amount of 640 million Kč with the countries of Central and South-eastern Europe (for these balances were merely on paper and not actually paid), so that the actual adverse balance of trade was at least 780 million Kč. The crisis produced a further deterioration in the item of remittances from emigrants, the yield of transit transport and tourist traffic. More favourable, possibly only in connection with the decline in incomings from enterprise, was the item of sums transferred abroad. To place the balance of payments in equilibrium, the unfavourable development of which was reflected in the Returns of the National Bank, it was necessary to secure extraordinary income and take special measures. This extraordinary income included the yield of the loan contracted in France to the amount of 600 French francs, the yield of the partially paid-off Russian credits, the yield of the second compulsory offer and surrender of assets and claims abroad, the liberation of certain blocked sums in Germany, and some other smaller incomings. The whole may be estimated at approximately 1,500 million Kč. These extraordinary incomings were utilised partly for the paying off of foreign credits and the repatri-

ation of certain Czechoslovak securities, by which of course the balance of payments was also relieved *à la longue*. The remainder, some 600 to 700 million Kč, was used for meeting the normal expenditure items of the balance of payments for the current year.

At this period there manifested itself a second disadvantage of the culminating measures of our currency and exchange policy of the years 1928 and 1929 as already referred to. The gold content of the crown was by virtue of its purchasing power, as a result of the appreciation of gold, unduly high, so that it was a direct lure to imports to Czechoslovakia, while exports generally and those to the countries with depreciated currencies in particular, were at a disadvantage from the angle of price. So long, however, as the principle of an unchangeable gold content for the Kč was insisted upon, there was nothing to be done but to proceed to a normative regulation of import trade, since the natural regulative function of a gold currency was inoperative. Suggestions were made for a practical restriction of imports by limiting the national Bank's allocation of exchange to certain categories of import as was being done at that time in Hungary. The National Bank, however, adopted the standpoint that there must be no moratorium for certain payments, and that all legitimate imports must be paid for. As, for reasons of commercial policy, it was not possible to restore the licencing regime of the Ministry of Commerce, a way out was found by setting up an Exchange Commission at the Ministry of Finance. (Government Decree No. 7 of the year 1932). The issue of exchange certificates for goods which by decision of the Exchange Commission fell within the exchange regime was taken over by the Exchange Department B of the National Bank. The first list of goods falling under the exchange regime was but a small one, but as the efflux of exchange proceeded irresistibly it became essential in August substantially to extend the list. Only after that was it possible to apply the regulative function of this regime in due fashion — which found expression in an improvement of the trade balance, naturally, however, at the cost of the total volume of trade. For help and a remedy on the export side it was necessary to wait another two years—a period marked by very considerable difficulties of deflationary character in the economic situation at home.

Measures of protection had to be resorted to at this period also against those countries which ceased to make their due payments to us and which we had hitherto paid in free exchange. As an out-

come of these measures our system of payments began to be divided into payments to the "free markets", that is those countries that continued to pay in free exchange, and the so-called "blocked" countries to which at first payments were made in the currency of the particular country or in Kč into blocked accounts in Czechoslovakia. The conception of "blocked" countries was gradually expanded, and by the close of the year included Austria, Hungary, Yugoslavia, Rumania, Bulgaria, Greece and—as regards certain categories of payments—also Germany. In June 1932 it became necessary to negotiate the first clearing arrangement with Yugoslavia. A clearing agreement alone gave at least a partial guarantee of being able to carry out mutual payments with Yugoslavia. In August it was necessary to conclude a similar agreement with Greece, and later one with Rumania. As a measure of parity it had been necessary in February 1932 to restrict certain classes of payments to Germany. Payments to Germany, however, continued to be made in free exchange. In May of the same year the first negotiations took place with the Reichsbank in Berlin, and the result was a possibility of mutual compensation payments, the transfer of which was not otherwise allowed.

In connection with the matter of amending the Act for the protection of the Czechoslovak currency there was also issued Government Decree No. 132 of the year 1932 by which the second compulsory offer to the Government of assets abroad was ordered, the yield of which represented an abnormal incoming for the exchange stocks of the National Bank. By ordering blocked assets abroad to be notified (the so-called "frozen" assets) the National Bank endeavoured to secure a record of these assets as a basis for forthcoming inter-State negotiations by which their gradual liquidation at least and transfer to Czechoslovakia would be made possible.

It was necessary to proceed in the same direction in 1933 too, for the difficulties of getting in payments for exports increased and of necessity led to an extension of clearing arrangements. In March 1933 an agreement was made with Germany for the settlement of mutual payments for goods by means of receiving accounts with the provision that Czechoslovakia should for the future pay only a certain proportion of the balance in favour of Germany in exchange. In October mutual payments of purely financial title were also subjected to a clearing arrangement. Regulations No. 64 of the National Bank of 1933 laid down, on the basis of an agreement with the Austrian National Bank in Vienna, conditions for the transfer of payments

under titles other than commodity trade, and the system of payments with Hungary was also adjusted in a manner reminiscent of clearing.

Despite the decline in the former favourable balance of commodity trade with the clearing countries there still remained "frozen" clearing balances, so that the liquidation of the amounts deposited abroad in favour of Czechoslovak creditors by foreign debtors took up a considerable part of the year. The National Bank came to the relief of export circles by making it possible for them to secure advances from the Zemská Bank at Praha on their clearing claims abroad.

Notwithstanding the difficulties referred to of getting in payments in the clearing countries, the National Bank still abided by the principle that it was essential to satisfy the exchange demands made on behalf of legitimate import. The system of a bloc of "free" markets and of "blocked" countries (those with clearing arrangements) was maintained both this year and in the following year. The list of goods for the import of which an exchange certificate was essential according to the decision of the Exchange Commission and which had been extended in the second half of 1932, was now, however, reduced by a considerable number of items.

The volume of foreign trade fell by 21% compared with 1932, and by 29% compared with 1929. It totalled merely 11,686 million Kč. The balance of trade improved as against 1932 by some 165 million Kč. The balance in 1932 had been adverse to the extent of 21 million Kč; in 1933 it was favourable to the amount of 144 millions. From the favourable balance recorded in 1933 it is of course necessary to deduct the claims for goods blocked in the clearing countries. Difficulties of transfer naturally distort also the other items of the balance of payments. In the accounts of the National Bank the balance of payments for 1933 is reflected somewhat more favourably than in 1932, leaving, of course, the yield of the French loan contracted in 1932 out of account. Compared with a rise in 1932 of 58.1 million Kč in the gold reserves, the year 1933 showed a decline of about 1 million; as against a rise of the exchange stocks in 1932 by 119.1 million Kč, the year 1933 showed a decline of 102.85 million Kč. Altogether, the currency reserve in 1933 dropped by 103.74 million Kč, whereas in 1932 it had shown an increase of 177.2 million Kč inclusive of the French loan. The lowest level of the stocks of exchange was that registered in July when the figure was 904.7 million Kč compared with 1029.03 million Kč at the close of the 1932. From July there was a slow rise which was maintained on the whole to

the end of the year when the stocks of exchange totalled 926.19 million Kč. The incomings of exchange from export trade dropped this year by 28½% compared with 1932. The surrender of the remainder of exchange under the second compulsory offer ordered in 1932 was likewise substantially smaller (12.3% of the yield under this heading in 1932). The total value of exchange acquired by the National Bank in 1933 fell to 75% of the amount acquired in 1932.

The position of the Kč in 1933 was strong and the exchange rate continued stable. In Paris and Zurich the margin between the highest and the lowest rate of the Kč was merely 1.05 and 1.46% of the parity respectively. Compared with a quotation of 15.38 Swiss francs per Kč 100 at the end of January of this year, the rate of the Kč weakened on the 4th March 1933 to 15.20, which was the lowest quotation of the year. Towards the end of March the rate improved and was highest in April and May, when the Swiss franc was exposed to the biggest onslaughts on the part of international speculation, when its rate was almost uninterruptedly under the gold export point, and when the Swiss National Bank lost 714 million Swiss francs in gold (approximately 28% of its total holdings). The highest quotation of the year was registered on the 10th May 1933 with 15.425 Swiss francs per Kč 100. In July, after the London currency conference, when a gold bloc was established, the tendency of the Swiss franc underwent a change, and the Kč, accommodating itself to this trend, weakened to 15.32 at the end of July. In the subsequent months, however, the rate of the Kč moved entirely in harmony with the international development of the Swiss franc, within the limits of 15.28½ and 15.35 in August and September, and within 15.31 and 15.37 from October to December. At the end of December 1933 the Kč was quoted in Zurich at 15.345 Swiss francs = Kč 100.

In the year 1933 it began to be clear that the path entered upon in 1932 by the introduction of regulated imports, especially in respect of their quantity, had led, it was true, to the goal aimed at, but had had the effect of reducing the total volume of foreign trade, and thus of reducing the material content of our national income, just as was the case in numerous other countries where restrictive measures of a technical nature in the sphere of currency and commercial policy were designed to make good the lack of accommodation to the world deflation prices. Further it was of necessity already clear that the root of the difficulties lay in the currency itself. Deflation as a natural result of maintaining gold parity stopped, with us, as in other countries with a gold standard, at the half-way stage. Domestic



prices—expressed in the gold parity of the Kč—were about 20% higher than the international price level, so that Czechoslovakia attracted imports while at the same time our exports became less and less capable of competition in the world's free markets. It was essential to enter upon a new path which would remove the internal difficulties in the way of price adaptation and which would lead to equilibrium of the trade balance by eliminating the disparity between the purchasing price of the Kč and home and abroad and by regulating imports not in respect of their quantity but with regard to the countries from which they come, in so far, of course, as our commercial treaty obligations did not stand in the way.

#### THE PERIOD FROM 1934 TO 1936.

The outcome of the deliberations as to how to assist the whole economic system of the country and its foreign trade in particular was the Act of Parliament of the 17th February 1934 (No. 25 in the Collection of Laws and Decrees of 1934) by which the gold content of the Kč was reduced from 44.58 milligrammes of fine gold to 37.15 milligrammes, that is by one-sixth. This reduction was designed to level up the disparity in prices at home and those abroad, and once more to link our economic system up to that of world economic development generally.

In addition to eliminating the difference between the internal and external purchasing power of the Kč and the resultant linking up of Czechoslovakia to the world's markets, Act No. 25 of the year 1934 adjusted the basis of currency cover at the National Bank, and the Bank's duty of maintaining the stability of the rate of the Kč exchange. This Act amended the provisions of the measure passed by the Standing Committee (No. 166 in the Collection of Laws and Decrees of 1929) which determined the composition of the currency reserve of our Bank of Issue. The experiences of the past few years, especially those with a gold exchange standard, and particularly the bitter experience of the depreciation of the English £ sterling in 1931 and of the American \$ in 1933 revealed to its full extent the frailty of exchange cover when the main currencies were absolutely unstable, and the risk involved in that instability. Act of Parliament No. 25 of the year 1934 provided for a change by making the future cover to consist solely of gold coin or bullion. At the same time it reduced the proportion of gold cover to at least 25% of the total circulation, that is, of bank-notes and liabilities at sight. The increase

in the value of the gold stocks arising from its calculation at the new parity of the Kč was utilised for reducing the State-note debt.

The difference between the stocks of gold and exchange shown in the Bank Return at the end of January (according to the parity of Kč 1 = 44.58 milligrammes of gold) totalling 2481 million Kč and the stocks shown at the end of February (according to the parity of Kč = 37.15 milligrammes of gold) represented a growth of approximately 276 million Kč. If, however, the value of the gold and exchange at the end of January be calculated at the new parity of the Kč there was a decline in gold and exchange of about 230 million Kč. In the first two months of the year the loss in gold and exchange (according to the new parity) amounted to about 414 million Kč. This loss was occasioned mainly by calls for exchange for payment of imports, increased largely by the effects of devaluation psychosis. Increased imports and payments to foreign countries up to the end of the first half-year involved a further loss of about 70 million Kč. The second half of the year was of course more favourable from the point of view of the exchange balance. The stocks of exchange which had dropped at the end of June to 13 million Kč (the currency reserve consisted of 2663 million Kč in gold) improved during the Summer months and at the close of the third quarter of the year amounted to 89 million Kč, and at the end of the year to 229 million Kč according to the Bank Return, in addition to which there were several other reserves.

The cause of this rise in stocks of exchange was for the most part the improved situation in respect of exports which, through the devaluation, had become once again capable of competition and were finding new markets, particularly in the countries of the sterling bloc where no transfer difficulties and no import restrictions existed. In the concluding months of the year, of course, the consequences were partly felt of the Government Decree of the 10th September 1934 (No. 202 in the Collection of Laws and Decrees), which ordered a registration and compulsory offer to the Government of foreign media of payment, claims abroad, precious metals, and foreign securities. The amount of exchange surrendered in the year 1934 under this title was about 80 million Kč. The main influx of foreign media of payment accruing from this extraordinary source was only registered in 1935.

The object of the Decree concerning the registration and compulsory offer of these foreign assets was to ensure for the National Bank a reserve of ready funds abroad to meet the subsequent in-

creased requirements, especially for raw material imports. In addition to this, the National Bank by means of the register secured a survey of all Czechoslovak participations abroad which might be availed of in case of need as objects of compensation in case of a repatriation of foreign participations in Czechoslovakia. As early as December 1934 a supplementary measure to Government Decree No. 202 of 1934 was passed enabling the National Bank to reserve to itself the right of taking over later the securities registered during the original registration period of 90 days, or, with the consent of the Minister of Finance, to lay down certain restrictions as to dealings in these securities in so far as the National Bank did not take them over or order them to be disposed of. This provision applied above all to shares, the bulk of which (especially those of concerns in Western Europe) had been purchased at high prices and an order for the sale of which would have involved the holders in loss, whereas there was still the possibility of their existing price improving in view of the signs of a gradual betterment in economic conditions. The list of securities, the taking over of which the National Bank reserved to itself, remained as a reserve which the National Bank was able to resort to during the periods of tense conditions prevailing in 1935 and 1936. The effect of this measure, of course, proved also favourable to the home money market, which thus received a substitute for at least some part of the funds "frozen" in blocked accounts abroad.

The relief afforded the exchange balance by the registration measure and the substantially improved results of foreign trade had nevertheless to be supplemented by further measures designed to limit the freezing of our export claims abroad and to ensure funds for fresh exports.

The difficulties which marked previous years in connection with the encashment of monies due for exports did not cease in 1934, indeed they were intensified, especially as a consequence of the change which occurred in commercial relations with Germany. In the early months of the year 1934 our trade balance with Germany—and Germany has always been the most important factor in the country's foreign trade—was still unfavourable, and Czechoslovakia paid the contractual portion of the unfavourable balance in free exchange, although Germany was not bound to act similarly should the situation be the other way about. Commencing in the fourth quarter of 1934 a turn of affairs occurred, as a result of the big demand for commodities in Germany, in the mutual trade, and our

unfavourable trade balance with Germany became a favourable one, though the surplus remained "frozen" in Germany. Uncertainty as to the German mark and the growing balance in favour of Czechoslovakia brought about a change of practice as regards the payment out of the amounts deposited in favour of creditors in the clearing account in Germany. With the consent of the Reichsbank, the Regulations of the National Bank No. 196 of the year 1934 provided that these payments should henceforth only be made within the limits of the sums deposited in Czechoslovakia for German creditors. After difficult commercial bargaining an agreement was finally achieved in November 1934, the payment provisions of which were reflected in the National Bank Regulations No. 238 of the year 1934. The agreement was notable for the fact that by means of the control of the export of certain important rawstuffs and the maintenance of agreed-upon quotas in our exports to Germany, the creation of new balances in favour of Germany was to be avoided, and by the increase of imports from Germany the existing balance, amounting at the close of 1934 to M 30,419,000, was to be worked off.

At the beginning of 1934 it became essential to extend the existing network of clearing agreements also to Turkey, and to revise the system of payments already existing with Hungary. At the same time it became necessary to make fresh regulations in regard to payments with Rumania in view of the newly introduced import and payments regime in that country. Nor did the existing system of payments with Bulgaria and Greece remain unchanged.

The new negotiations and adjustments of existing agreements concerning payments had become unconditionally necessary if Czechoslovak exporters were to be secured payment for their exports at least to the extent of our own obligations for goods normally imported from the countries failing to pay for our exports. In concluding clearing agreements an endeavour was of course made to make compensation possible. Private compensation payments with the clearing countries were permitted in such proportion of import to export as would, in case of enforced increase in imports, contribute to paying off the favourable balance of frozen clearing accounts.

The exchange rate of the Kč on foreign stock exchanges both before and after the devaluation remained entirely steady. At the beginning of January the rate in Zurich was 55.35 Swiss francs per Kč 100, and in the course of that month it declined to 15.28. The last quotation in February prior to the declaration of devaluation was 15.27 on the 15th of that month. After the devaluation the rate of

the Kč was again stable as soon as exchange rates on foreign Bourses had accommodated themselves to the new parity. The first quotation at Zurich after the devaluation was on 19th February, and was 12.85 Swiss francs = Kč 100, parity being 12.7961. From then to the middle of June the rate of the Kč was steadily above par. It was not until the 18th of June that the rate fell below parity—this was a result of the hardening of the Swiss franc in the international market—and continued below till the middle of October. The movements on the whole were not considerable; the lowest quotation after devaluation was 12.72 (in August), and the highest 12.91 (in December).

The upward trend in foreign trade which commenced in 1934 continued in Czechoslovakia throughout 1935. While the growth in the volume of world trade was in the best case 1% compared with the preceding year, the turnover of Czechoslovak foreign trade improved by 3.5% as against 1934. Against a turnover of 11.685 million Kč in 1933, the volume of trade in 1934 had been 13.661 million Kč, and in 1935 the figure rose to 14.146 millions. The measures taken to foster export trade by providing facilities in respect of payments and in the matter of commercial policy (private compensation, advances of clearing claims, increased State guarantees for export credits, direct export credit from the National Bank, etc.) had an undoubted influence upon the increase in exports (in all by about 19%), while the deciding feature from the point of view of exchange was that the improvement was reflected in increased exports to the free markets. The favourable balance of our trade with the countries of the sterling bloc in fact improved as against 1934 by some 58%, while at the same time our unfavourable balance with the countries of the gold bloc, amounting to 71 million Kč in 1934, was converted into a favourable balance of nearly 13 million Kč. The favourable balance of trade with the clearing countries (except Germany) declined at the same time by 18.7% compared with 1934, and the commercial negotiations with Germany in 1934 resulted in our surplus with that country declining by some 300 millions, which was welcome as a reduction of our clearing claims. In all, our foreign trade in 1935, registered a favourable balance of 684 million Kč. As in previous years of course this favourable balance was not actually so favourable in respect of payments, for a considerable proportion was represented by frozen assets in the blocked countries. The proportion of favourable trade balance with the clearing countries (566 million Kč) to the favourable balance with the free markets (118 million Kč) was approximately 6 : 1½.

The favourable balance of exchange accruing from foreign trade was thus inadequate to meet the deficits of the other items of the balance of payments. Parallel with this development of the balance of trade and balance of payments in 1935 there was observable a grave feature in connection with the balance of payments, namely, an increase in the illicit export of Czechoslovak bank-notes; these bank-notes went abroad and returned in the form of payment for exported goods and payments under other titles, and it began to attract notice that there was a considerable decline in the demand for free Kč exchange abroad. This unwelcome feature was also unconsciously encouraged by many exporters who by accepting payment from their foreign customers in bank-notes granted a *de facto* bonus equivalent to the disagio of the exchange rate for bank-notes, in this way of course encouraging export trade but adversely affecting the country's stocks of exchange. By the smuggling of bank-notes out of the country domestic capital escaped abroad by illicit paths. This smuggling of bank-notes combined even with illicit import of Czechoslovak securities from abroad to this country was a lure by reason of the considerable gains promised through the abnormal price disparity in dividend-bearing securities. The total quantity of bank-notes entering the country from the 11th of September 1934 to the 10th of February 1935 represented a sum of 382 million Kč. How large this sum was may be realised if we compare it with the favourable balance of trade with the free markets in 1935, a balance which did not exceed 118 million Kč.

It was clear that by making the return of bank-notes difficult their disagio would be increased, and that only a high disagio would prove an automatic brake upon the illicit export of bank-notes. A measure issued by the National Bank on the 30th November 1935 (No. 223 in the Collection of Laws and Decrees) prohibited generally the export of Czechoslovak bank-notes, small paper money and coins. An exception was made only in favour of travellers, who were allowed to take out of the country a sum not exceeding Kč 1000 per person per month, only Kč 300 of which could be in small Czechoslovak paper money (notes of Kč 10 and Kč 20), while the balance had to be either in foreign exchange or in Czechoslovak coin. Simultaneously it was prohibited to receive payment of claims arising abroad in any manner or under any title in Czechoslovak bank-notes or small money coming into the country from abroad. A measure promulgated by the National Bank on the 11th December 1935 (No. 228 in the Collection of Laws and Decrees) provided that Czechoslovak

media of payment coming into the country in ready form from abroad must be deposited in a "blocked account of Czechoslovak currency coming from abroad" kept in the name of the foreign consignor, and that the National Bank would set such media of payment free only for the personal use of foreigners in connection with tourist traffic in Czechoslovakia. All these measures were designed to hinder the utilisation of Czechoslovak currency illicitly introduced from abroad for payments to Czechoslovakia, and met with such success that from the 11th December 1935 to the 10th December 1936 bank-notes returning to the country from abroad were utilized, with the consent of the National Bank, for payments to Czechoslovakia to the amount of no more than 21.7 million Kč.

Up to the end of 1935 the bulk of the effect of the registration and compulsory surrender of foreign securities had manifested itself. From this extraordinary source there was handed over up to the end of 1935 in exchange and precious metals a total sum of 315 million Kč (296.7 million Kč accruing from the sale of securities and from foreign deposits, and 28.3 millions from the surrender of precious metals). About 84 millions of the above sum had been handed over already in 1934. The National Bank still possessed, however, a reserve in the registered dividend securities, the surrender of which it had postponed till a later date, and in the gold in possession of the commercial banks which had not been withdrawn from them as it not infrequently served these banks as the basis for their credit operations abroad.

In the trend of the exchange stocks the consequences were particularly observable of the currency psychosis in connection with the gold bloc currencies in the first half of 1935, which manifested itself in Czechoslovakia in an abnormal increase in the amount of export exchange surrendered, whereas in the second half of the year the very opposite influence was exerted on the exchange balance, partly because of the growing import trade at rising prices since the beginning of hostilities in Abyssinia and partly because of the currency psychosis at home.

The technical position of the Kč throughout the whole of the year 1935 was excellent, and the rate of the Kč abroad moved within the limits of the gold points and at a level answering to the parity of Kč 1 = 37.15 milligrammes of gold. The average rate at Zurich was 12.89 Swiss francs per Kč 100, the parity being 12.7961. Owing to the pressure of international speculation on the currencies of the gold

bloc in the first half of 1935 the rate of the Kč continued above parity, and the rate varied between 12.875 and 12.95 Swiss francs per Kč 100. When a change in the situation occurred in June the Kč dropped below parity, and its lowest quotation was recorded on the 23rd July, when the rate was 12.60 Swiss francs. From the middle of November to the end of the year the rate, with insignificant shifts, was round about the gold parity.

To complete our survey mention must be made of the measures, mainly of normative character, which were taken in 1935 for the protection of the Czechoslovak currency. Among those which were designed to check economically unjustified outgoings of exchange to other countries was in the first place the fixing of quotas for the export of textile semi-manufactures (yarns, etc.) to the clearing countries—a measure taken at the request of the National Bank within the scope of the export licencing system of the Ministry of Commerce. The currencies in the clearing countries, maintained artificially at a high level, attracted imports to those countries, and their import and quota regime, which on the one hand for comprehensible reasons hindered the imports of finished goods, left the door open on the other hand for the import of semi-manufactures containing valuable rawstuffs which we had purchased for full-value exchange and for which we were paid through clearing. The export licence system kept this export at least within certain bounds.

Difficulties in getting in payments in the clearing countries made it essential in 1935 to proceed to negotiate new adjustments of the agreements concluded in previous years for payments and mutual settlement of claims with several countries. At the beginning of the year the negotiations commenced in 1934 for a payments agreement with Greece were resumed, but it was necessary to settle this matter in provisional fashion since it proved impossible to meet the commercial demands put forward by Greece in full measure. In similar manner frequent changes in the Rumanian import regime and its application to the Czechoslovak-Rumanian payments agreement compelled new negotiations to be entered upon. The supplementary protocol signed in Berlin on the 15th March 1935 slightly amended the Czechoslovak-German payments agreement of November 1934, mainly in respect of the percentage of the value of certain overseas goods included in German clearing. In this year Italy entered into clearing arrangements with Czechoslovakia. The adjustment, made in March, applied only to payments for mutual exchange of commodities. The international sanctions against Italy had an influence



from November onwards upon the system of payments with that country.

The efforts to enable exporters to mobilise their clearing assets were reflected in an extension of the opportunity of securing advances on clearing claims from the Zemská Bank at Praha, in an increase both in the quota of advance (from 75% to 90%) and in respect of the amount which could be advanced to any individual concern (from 6 to 8 million Kč). After the expiry of the sanctions advances were also made on clearing claims in Italy.

In the year 1935 the question was also settled of financing tourist traffic by means of agreements with various countries. In the first place the financing of spa traffic with Germany, hitherto conducted out of German assets in Czechoslovakia which were freed in liberal fashion for this purpose, was readjusted. As these assets did not meet the requirements, an agreement was made with Germany in 1935 making it possible to finance spa traffic also out of payments for German goods imported for the Czechoslovak public offices and out of payments for the imports of German motor cars. The seasonal lack of funds was tided over by credit granted by the Czechoslovak banks. Tourist traffic with Austria was regulated on the principle of reciprocity, and with Poland, too, negotiations had to take place for facilitating the visits of tourists to Czechoslovakia. Funds for financing the visits from Rumania to the Czechoslovak spas were made out of a Rumanian spa account into which was paid a certain percentage of the equivalent value of the goods imported to us from Rumania by way of private compensation. Tourist traffic with Hungary was also financed by means of commodity imports.

The year 1936 was entered upon with difficulties which had begun to manifest themselves as early as the second half of the preceding year. The psychological atmosphere round the Czechoslovak crown, nourished in part by the press and newspaper polemics, reacted unfavourably on the delivery up of exchange accruing from export trade; claims for goods exported to the free markets were purposely kept abroad, and the surrender of export exchange remained on a low level. The rising price level in the world's markets enforced more rapid purchases of the main raw materials, so that the calls on the stock of exchange were multiplied compared with previous years. A comparison of the surrender of export exchange for the first half of the year 1936 with that for the first half of 1935 shows that the amount handed in during the former year was 319 million Kč less than in the latter. On the other hand, the amount allotted to pay

for imports was 196 million Kč more in the first half of 1936 than in the corresponding period of 1935. From July 1935 to the end of July 1936 the amount allocated from stocks and exchange reserves in excess of the current incomings of exchange was 624 million Kč. Exchange was also lost by export to countries with clearing arrangements. The export licencing system, the object of which was to put a brake on the export of semi-manufactures to the clearing countries, was not of itself able to save the situation, mainly for reasons of commercial policy. Within the shadow of these difficulties price arbitrage—raw materials being purchased in the world free markets, and semi-manufactures sold at unduly high prices to the clearing countries—was eminently successful. The intensive effort to get in supplies of rawstuffs resulted in imports from the free markets rising out of all proportion to the exports to the free markets. In the first 7 months of the year 1936 exports to the free markets rose, compared with the like period of the preceding year, by some 226 million Kč, but the imports from those markets in the same period increased by about 552 million Kč. Of the total growth of imports, the increase in the imports of raw materials represented about 437 million Kč, but export trade did not wholly supply the necessary exchange to pay for them; on the contrary export made more use of marketing opportunities in the clearing countries.

In order to achieve a certain equilibrium it was necessary to arrange with the importers for exchange quotas, which for the moment were not in principle to exceed the allocations of exchange in 1935, except in cases where it was a matter of requirements for the defence of the State. Importers were also required to accept certain terms as to the date of payment of the allocations which, with the aid of reimbursement credits and forward purchases were postponed to a later date. At the same time it was necessary to act with the greatest caution and follow the trend of events with the utmost vigilance. In the allocation of exchange by stages, which was essential in view of the tardy incoming of exchange, it was natural that in the forward market a certain surcharge to the prompt rates should evolve and that it should show a rising tendency. The National Bank being unable, in the interests of the currency, to leave the forward market to develop freely, fixed a limit that was not to be exceeded for these surcharges to the prompt rates. But for this precaution these rates would have reached very undesirable heights, and the whole exchange business would have flowed over from the prompt to the forward market. In private clearing the exchange

rates were substantially higher than the official rates, and threatened the parity of the currency, especially in the psychological atmosphere which surrounded the currency in the Summer of 1936.

The unfavourable trend of the country's balance of payments was clearly apparent in the first 8 months of the year 1936 from the diminishing stocks of exchange in possession of the National Bank, whereas the gold reserves remained on the whole unchanged (2,690 million Kč on 31st December 1935, and 2,697 million Kč on 31st July 1936).

The big calls on the part of import trade, the considerable requirements of the State authorities, etc., finally led to booking a part of the currency cover to exchange stocks. This occurred at the end of August, so that the gold cover was then shown in the Return at 2,597.3 million Kč.

The use of a portion of the gold reserve represented only a temporary aid for the passing satisfaction of the most pressing demands. It was, however, necessary to take measures for a more lasting improvement of the trade balance, and thus of the exchange balance. At the beginning of September the Minister of Finance issued an Order to include some of the more important items of the customs tariff (textile raw materials, hides, furs, rubber, rice, cocoa, raw-stuffs for the edible fats industry, etc.) in the import and export exchange licencing regime. The aim of this measure was on the one hand to extend the demands for exchange as regards payment to a later date more in accord with seasonal requirements, and on the other hand to secure control of the import of the main raw materials also as regards their provenance with the object of economy in exchange, and finally to exercise a regulatory influence over the home exchange market in all cases of sudden convulsions.

The currency events with which it had been necessary to reckon actually ensued when the French Government decided to devalue the franc. This decision was made public in the early morning of Saturday, the 26th September 1936. The devaluation of the French franc resulted in a similar step being decided upon by the Swiss, Netherlands and Italian Governments, and currency changes took place also in several other countries.

When news reached Praha of the devaluation of the French franc, the Prime Minister at once summoned a meeting of the Cabinet Ministers and leaders of the political parties—a meeting which was held about noon on the 26th, and was also attended by Dr. Engliš, the Governor of the National Bank. After this meeting it was an-

nounced that the Government, fully conscious of its responsibility to all classes and of its state of preparedness was calmly awaiting further developments in the international situation. It was stated that an isolated measure on the part of France would not of itself particularly affect the interests of our national economy—apart from the fact that by the devaluation carried out in 1934 Czechoslovakia had partially anticipated the French step—that Czechoslovakia's financial and economic situation as a whole was sound and stable, and that any measures which the development of international conditions might make essential must be taken with due regard to both the economic and the social and internal-political needs of the country. On Saturday, the 26th September, neither the security market nor the exchange market of the Praha Stock Exchange was closed; the only step taken was the deletion of the quotations of several currencies for which it was not possible, even in connection with foreign stock exchanges, to fix any rates.

When the succeeding days brought news of the prompt decisions taken by Switzerland, Holland and Italy in currency matters, the Czechoslovak Government in its turn decided to meet the consequences which the changes might have for our economic system by accommodating our own currency to the altered situation. This decision was also facilitated by the economic programme which, after the devaluation of the three most important currencies, and after the Italian devaluation, evolved in the form that these devaluations had been made with the concurrence of the British and American Governments, and that these measures represented the beginning of a coming currency stabilisation and the removal of the most serious obstacles standing in the way of foreign trade in which Czechoslovakia has such a vital interest.

Our devaluation was thus, after a whole series of consultations, decided upon in the mid-day hours of Saturday, the 3rd October 1936, when the Cabinet Ministers in charge of the economic departments were entrusted by the Government with the task of determining upon the extent and all the details of the devaluation. This decision of the Government, and the entrusting of these matters to the Cabinet Ministers in question was published in the press of Sunday the 4th October. The exchange market had still been open on the 3rd October. It was now, however, suspended to Saturday, the 10th, on which day the Act of Parliament of the 9th October (No. 262 in the Collection of Laws and Decrees) concerning the readjustment of the Czechoslovak currency was promulgated.

Dr. Engliš, the Governor of the National Bank, took part in all the Government deliberations, and the appropriate departments of the Bank cooperated with the Ministry of Finance and with the presidium of the Cabinet Council in the drafting of the various paragraphs of this law from the technical angle. As to the percentage of devaluation the Government decided, that the crown (koruna) as currency unit should be determined by a weight of 30.21 to 32.21 milligrammes of fine gold compared with the hitherto existing parity of 37.15 milligrammes. After the passing of the law through Parliament the Government, by a Government Decree simultaneously promulgated, decided that the value of the Czechoslovak crown should be fixed between the above two points at a weight of 31.21 milligrammes of fine gold.

In fixing the content of the crown at a weight of 31.21 milligrammes of fine gold the devaluation was one of roughly 16% (or precisely 15.9892%). In general terms exchange became dearer by 19.03%.

From the above it will be seen that the price of gold which previously was Kč 26,917.90 increased to Kč 32,041.0125 per kilogram.

The new adjustment of our currency in conjunction with the devaluation of February 1934 does not exceed 30% as against the parity of the currency prior to the year 1934 (then 44.58 milligrammes of fine gold), and thus in its final effect was within the limits of the French and Swiss devaluations.

The devaluation in the countries of the gold bloc, which the world had anticipated, but which came none the less with surprising suddenness, found us prepared for all eventualities. We suffered practically no losses on the rates of the devalued currencies, with the exception of a wholly insignificant item in French francs, so that the monthly balance at the close of the month of September showed a slight gain.

We were able to dominate the situation as regards calls for, and allocation of, exchange even in this disturbed period by the fact that import items of outgoings fell under the licencing regime which we had introduced on the 2nd September. Applications for the allocation of exchange presented direct to our Exchange Department (in the meantime nearly 150 million Kč according to status of demands at the end of August) were practically all dealt with before the 26th of September. Applications for import licences handed in to the Exchange Commission were all dealt with up to the end of September by permits for imports to the value of 346 million Kč, of which 204 millions were for textile rawstuffs. These allocations to the extent

of over 60 million Kč were paid over promptly, while the balance was distributed over longish periods without any large payments being due in October or November. In issuing licences prior to the devaluation the principle of observing the strict order of time in which the applications were made was maintained. Every applicant had an opportunity of ensuring himself against possible loss on the rate by purchasing forward exchange which was permitted to be done in liberal fashion up to the time of the devaluation. On the day on which the stock exchange was closed, that is, the 5th October, the applications not yet dealt with were those handed in on or after the 29th of September.

Up to the 25th of September inclusive, the day on which the French devaluation was announced, the development of the exchange rates as quoted on the Praha stock exchange presented a normal picture. Then, in the week up to the 3rd October, when the exchange market at Praha met for the last time prior to our devaluation, the list of rates of exchange showed considerable lacunae, since the devalued and also other exchanges were not for the moment quoted. The exchange market did not reopen after the devaluation till the 10th, and the American dollar was then taken as the basis for calculating the level of the rate. The first rates after the devaluation were based on a parity of \$ 28.45, thus slightly below the new gold parity of the dollar (28.4739).

The applications under exchange control since September were met from the 9th September to the 31st December 1936, when allocation of exchange was resumed, by licences for import to the value of 1,651 million Kč. Of that sum, prompt allocation, compensation or exemption from surrender of exchange, represented 750 millions.

The book gain represented by the appreciation of the gold and exchange stocks of the National Bank on the occasion of the second devaluation in October 1936 accrued in pursuance of § 3 of the Act No. 262 of 1936 to the State, and is kept at the National Bank as a standing deposit by the State. The difference arising in the stocks of gold on calculation according to the new parity of the crown ( $\text{Kč } 1 = 31.21 \text{ milligrammes of gold}$ ) was at the same time carried over to the stocks of exchange which thus, on the 15th October 1936, reached the level of 411.1 million Kč, while the gold cover of the currency remained numerically the same after the devaluation, being 2,591.9 million Kč on the same day.

The development of the exchange balance after the devaluation took, for comprehensible reasons, a favourable turn, the stocks of

exchange on 31st October rising to 464.3 million Kč and on the 30th November to 486.1 millions. This growth was not, however, in view of the increased export assets in the free markets, neither precipitous nor specially intensive.

In the market for forward exchange, where for a short time after the devaluation forward exchange was on offer at a certain discount (about 3% per annum), a certain stringency set in towards the end of the year, accompanied by a tendency to create surcharges to the rates as had been the case formerly. This stringency was of course relieved by prompt allocations of exchange by the National Bank which duly satisfied and continues to satisfy applications for even later dates so as to liquidate engagements involving later payments postponed into the future by reimbursement operations.

The total trade balance for 1936 closed with a favourable balance of 110.4 million Kč, but the balance was not actually a favourable one from the angle of payments. The trade balances with the clearing countries showed an export surplus of 311.2 million Kč, and those with the free markets registered on the other hand a deficit of some 200.9 millions. It was a highly favourable feature for our economic system that in export trade the share of the free markets increased for the entire twelvemonth of 1936 by 14.6% (the share of the sterling bloc and U.S.A. indeed by 17.3%), exports via the seaports by 23.7%, the countries of the former gold bloc by 2.1%. At the opening of the New Year 1937 the stocks of exchange at the National Bank amounted to 439.4 million Kč, and in consequence of the considerable demands in respect of imports already made, as well as of imports of seasonal character, naturally show a declining tendency of passing nature.

The exchange rate of the Kč abroad moved on the whole within narrow limits, and the technical position was strong. At Zurich, after the devaluation, the lowest rate was registered in July, the quotation being 12.66 Swiss francs per Kč 100. The highest quotation prior to the devaluations in Switzerland and Czechoslovakia was recorded in May, when the rate was 12.80 Swiss francs = Kč 100. After the devaluation of the Swiss franc and prior to our own devaluation the highest rate of the crown was 17.90 Swiss francs per Kč 100. After our devaluation the rate of the Kč became stabilised at 15.39—15.40 Swiss francs per Kč 100, the parity being 15.4123. In New York, too, the development of the exchange rate of the Kč was quiet. The lowest rate (before the devaluation of the crown) was \$ 4.13 = Kč 100 in September, and the highest \$ 4.20½ = Kč 100 in February. After

the devaluation of the Kč the rate became stabilised at the level of \$ 3.53½—3.54¼ = Kč 100, the parity being 3.5110.

To supplement the above it may be added that in 1936 it was essential, in the interests of currency protection, to carry out certain measures of a normative nature in the sphere of exchange policy. In addition to the inclusion of raw materials in the import licence and exchange regime as mentioned above, there was in the first place a prolongation of the validity of the amendment to the Act for the protection of the Czechoslovak currency (No. 121 of the year 1932), a new regulation of dealings in gold (Government Decree No. 122 of the year 1936), and the Government Decree (No. 135 in the Collection of Laws and Decrees of the year 1936) concerning the utilisation of claims against foreign debtors, besides several new adjustments of the system of payments with countries with which Czechoslovakia had such adjustments dating from previous years. The dropping of the sanctions was reflected in a new payments arrangement with Italy, an arrangement which also included mutual transfers of purely financial payments. Readjustments of mutual settlement of payments were also made with Hungary and with Austria. The agreement with Hungary retains, as far as commodity payments are concerned, the principle of compensation, and as regards payments arising from other titles, the agreement rests on the basis of a unilateral clearing account kept in Kč at the National Bank. The whole system of payments with Austria was included in clearing of a bilateral character, the two accounts being kept in the currencies of the respective countries. Our chronic deficit in payments with Austria is to blame for the fact that on the Czechoslovak side payments accumulate which it is impossible to transfer to Austria owing to the lack of schillings in the corresponding account there.

An adjustment of dealings in gold was made by Government Decree No. 122 of the year 1936 and the relative regulations issued by the National Bank. Their object was mainly to secure and restore to the goldsmith's trade the gold which in the most varied forms was flowing into the private market, in this way to check the import of gold from abroad and its sale from the currency reserves of the National Bank, and to make it impossible to utilise gold purchased in this country for purposes other than those of the goldsmith's trade. The adjustment linked up organically with the Act for the protection of the Czechoslovak currency. Dealings in gold were restricted to authorised persons who represent a fairly extensive



category, as the character of dealings in precious metals demands. From the currency point of view the most important point is that agiotage with gold is to be checked by the fixing of standard purchasing prices.

According to the suggestion made by the National Bank on the 7th October in connection with the Bill for a new adjustment of the currency, the Government decided before the end of the year to slacken exchange control in such a manner that the import licencing system was to be maintained in the main only in cases where it fulfilled its task from the angle of commercial policy and compensation trade or served as a basis of organisation for home production. At the same time the system was concentrated in the Ministry of Commerce which has the benefit of the cooperation of the appropriate departments of the National Bank. The release of customs items from the necessity of a licence as promulgated on the 29th and 30th of December applied to about 29% of the total import trade (1,961 million Kč, according to the 1935 statistics, out of a total import trade of 6,743 millions, mainly, too, imports from the free markets).

#### ADJUSTMENT OF THE SYSTEM OF PAYMENTS WITH THE BLOCKED COUNTRIES

according to the status at the end of 1936.

##### BULGARIA.

The basis of the system of payments with Bulgaria is an agreement concluded on the 29th November 1932, and added to for the last time on the 14th July 1936. It applies both to payments for goods and to payments under other titles, including tourist traffic. Payments for the imports of Bulgarian goods to Czechoslovakia are made in Kč through the Clearing Sub-Account A of the Bulgarian National Bank at the National Bank of Czechoslovakia in Prague; payments for Bulgarian tobacco are made as to 70% into Account A, and as to 30% into Account B. Out of the Account A payment is made for new exports (after 17th February 1934), while Account B is utilised to liquidate claims arising prior to 17th February 1934.

Transfers of payments for goods from Bulgaria to Czechoslovakia are made in principle through Clearing Sub-Account A; if there are not sufficient funds and if the Bulgarian National Bank does not accept the equivalent in levas, the Bulgarian debtor may deposit the amount with the branch of the Anglo-Czechoslovak and Prague Credit

Bank in Sofia which will keep the deposit in trust for the Czechoslovak creditor. It is also permissible to settle claims for goods by way of compensation with the consent of the two Banks of Issue, in which case the concrete compensation balance is deposited in Clearing Account B. The payment of claims arising under the title of tourist traffic is made either through clearing (Sub-Account B), or in the case of payments from Czechoslovakia to Bulgaria by utilising the yield of new Czechoslovak exports or frozen assets. For certain categories of goods special provisions are laid down as regards the manner of payment (clearing or compensation).

#### CHILE.

The system of payments with Chile is adjusted on the basis of a saltpetre compensation agreement, as a rule for the current season (1st July to 30th June). The legal basis of the existing arrangement is the payments agreement concluded by an exchange of Notes of the 14th October and 13th November 1936 for the years 1936-37 and 1937-38. The object of the adjustment is to settle Czechoslovak claims arising from commodity exports, while the question of purely financial claims is left in abeyance. On the Czechoslovak side the adjustment applies to payments for all categories of goods exported from Czechoslovakia to Chile, and on the Chilean side to payments for the imports of saltpetre from Chile to Czechoslovakia.

#### ITALY.

Payments between Czechoslovakia and Italy were regulated by a clearing agreement on the 18th March 1935 (Order of the Minister of Finances No. 43 in the Collection of Laws and Decrees of 1935). This agreement was amended on several occasions later, or extended by supplementary agreements. Today the payments system is based on the commercial agreement (*modus vivendi*) concluded between Czechoslovakia and Italy on the 31st August 1936, the substantial portion of which consists of an agreement as to payments made between the Italian National Exchange Institute and the National Bank of Czechoslovakia. Payments for mutual commodity trade are made into the Global Account of the Italian National Exchange Institute kept in Italian lire. Export and import trade via the Italian seaports is paid in free exchange. Payments arising from titles other than for the export or import of goods are made through a "Special Account" kept in Kč. Tourist traffic from Czechoslovakia to Italy

is made possible by compensation payments to the amount of the value of Czechoslovakia's coal exports to Italy. The frozen balance of the assets of Czechoslovak creditors which arose in Italy from exports prior to the suspension of mutual trade during the application of the sanctions was paid at the end of 1936 out of the balance in favour of Italy that accrued from the considerable imports of Italian goods to Czechoslovakia after the lifting of the sanctions. All the receiving accounts in the system of payments between Czechoslovakia and Italy at the beginning of January 1937 showed a balance in favour of Italy. Private compensation payments are in principle permissible, but require the assent of the National Bank of Czechoslovakia and of the Italian foreign exchange department.

#### YUGOSLAVIA.

The basis of mutual payments is the agreement of 8th June 1932 regulating payments arising out of mutual trade. Czechoslovak importers of Yugoslav goods pay the equivalent value in Kč into the Receiving Account of the National Bank of Yugoslavia at the Zemská Bank, Praha, and Yugoslav importers in dinars converted into Kč into the Receiving Account of the National Bank of Czechoslovakia at the National Bank of Yugoslavia in Belgrade. The accounts are kept in Kč. Private compensation payments are allowed with the previous assent of the two Banks of Issue. The National Bank of Czechoslovakia lays it down as a condition in this connection that a proportion of 100 units of export from Czechoslovakia shall be maintained to 125 units of import from Czechoslovakia. With regard to the settlement of payments from titles other than commodity trade, each particular transaction requires the previous consent of the two Banks of Issue.

#### HUNGARY.

The method of settling payments arising out of the mutual trade between Czechoslovakia and Hungary varies according to the category of goods to be paid for.

Exports of timber, Ostrava coal and charcoal to Hungary are paid for in 1937 exclusively by way of private compensation against imports of Hungarian pigs, lard and various agricultural produce (blocked Compensation Account MKD/1937 at the Zivnostenská Bank, Praha).

Payment for mutual trade in commodities, for which import and export quotas are fixed (industrial output) is made in Kč into blocked

accounts "P", and payment for mutual trade not under quota (raw materials and mutual free exchange of goods) is made in Kč into blocked accounts "SV".

Payments for goods imported from Hungary which are used to meet the requirements of Hungarians travelling to Czechoslovakia are made in Kč into the "Spa Account of the National Bank of Hungary" at the Bohemian Discount Bank and Credit Institute, Praha.

Other payments in favour of a Hungarian creditor (especially pensions, salaries, directors' fees, indemnities, licence fees, transport charges, forwarding agents' charges, inheritances, dowries, rents, etc.) are made in Kč into Account "B" of the National Bank of Hungary at the National Bank of Czechoslovakia (receiving offices: the Czechoslovak Agrarian Bank at Praha, and the Slovenská Bank at Bratislava). The parties may also settle their mutual accounts with the assent of the two Banks of Issue by way of compensation, but as a rule only in part. In such case the portion of the payment is fixed which is to be made to Hungary through Sub-Account "B", while the balance is paid into the "Special Account of the National Bank of Hungary" at the National Bank of Czechoslovakia, and is compensated for by claims of the same nature advanced by Czechoslovak creditors.

Czechoslovak crowns deposited in:

1. Sub-Account "B",
2. the Spa Account,
3. Blocked Account "P",
4. Blocked Accounts "SV"

are converted into pengoes according to the official quotation of the Praha exchange in Budapest plus the surcharge fixed for the purchase of Kč (at the present time  $\text{Kč } 100 = 11.79 \text{ pengoes plus } 45\%$ ), and are allocated at the rate of  $\text{Kč } 100 = 11.93 \text{ pengoes plus } 46\frac{1}{2}\%$ .

Payments for persons travelling to Hungary are allocated in principle only in blocked assets in Hungary.

#### GERMANY.

The present adjustment of the system of payments with Germany in respect of commodity trade is based mainly upon an agreement of the 20th November 1934. Commodity imports from Germany to Czechoslovakia are paid for in German marks into the "Receiving Account of the German Clearing Office" at the National Bank. The import (transit) of goods of non-German (overseas) origin is paid

in free exchange less an agreed percentage in favour of the Receiving Account. Payments for the exports of Czechoslovak goods to Germany are made on the German side in German marks by the "Receiving Account of the National Bank of Czechoslovakia" at the German Clearing Office. Compensation is permissible only as commercial compensation (export over and above the quota in the proportion of at least 100 units to 150 units of import), payment on both sides being made through the Receiving Account. In cases where it is a matter of supplementary import it may be allowed with the consent of both sides and by way of exception to pay in part (up to 25% of the value) for German goods by Czechoslovak assets blocked in Germany.

Payments other than for goods (with the exception of subsidiary outlay in commodity trade) are made on the Czechoslovak side in German marks into the "Conversion and Special Account of the German Clearing Office" at the National Bank of Czechoslovakia in Praha; payments from Germany to Czechoslovakia are made into the "Spezialkonto" of the National Bank of Czechoslovakia at the German Clearing Office in Berlin. For certain payments not of an ordinary nature the compensation account "Sonderkonto" is used, provided the assent of the two Banks of Issue has been obtained.

Special detailed provisions apply to payments in connection with tourist traffic.

#### AUSTRIA.

The basis of the system of payments between Czechoslovakia and Austria is the agreement made between the two countries on 30th April 1936; the object of the agreement is, on the one hand, the payment for goods, and on the other hand payment under other titles, including tourist traffic. All payments to Austria are made in Kč into the "Registration Account, Austria", payments for goods and subsidiary outlay go into Sub-Account A1, while purely financial payments recurring regularly go into Sub-Account A2. Other payments, especially those of a capital nature, go into Sub-Account B. In similar fashion a special schilling account has been established on the Austrian side with Sub-Accounts I. and II.

Special provisions apply to tourist traffic and to the settlement of the mutual claims of the respective railways.

#### RUMANIA.

For payments between Czechoslovakia and Rumania the system now in force is based on the commercial protocol concluded between

# DEVELOPMENT OF THE FUNDS OF THE CZECHOSLOVAK CLEARING ACCOUNTS

(Sums due for Commodity Imports and Exports):

End of the quarter of the year	Bulga- ria	Italy	Yugo- slavia	Ger- many	Au- stria	Ru- mania	Greece	Tur- key
	mill. Kč	mill. Lire	mill. Kč	mill. RM	mill. Kč	mill. Kč	mill. Kč	mill. Kč
1933								
III				— 6,293	— 11,879			
IX				— 4,119	— 716			
XII				— 5,934	— 1,099			
1934								
III				— 36,672	— 434			
VI				+ 6,684	— 750			
IX				+ 23,780	— 3,425			
XII	+ 2,253		+ 88,098	+ 29,804	— 1,086	+ 92,477	+ 34,195	+ 38,120
1935								
III	+ 5,411	— 2,327	+ 90,942	+ 33,702	— 2,217	+ 104,986	+ 35,627	+ 47,859
VI	+ 5,323	+ 6,836	+ 97,081	+ 34,892	— 2,050	+ 113,418	+ 53,004	+ 60,992
IX	+ 7,288	+ 16,017	+ 83,419	+ 32,684	— 52,926	+ 114,515	+ 53,260	+ 67,935
XII	+ 2,954	+ 25,670	+ 82,072	+ 31,801	— 45,585	+ 112,291	+ 59,303	+ 59,000
1936								
III	+ 2,700	+ 26,746	+ 106,567	+ 27,348	— 14,951	+ 118,506	+ 69,104	+ 72,999
VI	+ 5,660	+ 27,780	+ 143,393	+ 25,866	— 81,911	+ 114,163	+ 50,873	+ 93,631
IX	+ 5,817	+ 25,330	+ 120,788	+ 22,839	— 156,323	+ 109,288	+ 50,233	+ 91,293
XII	+ 5,860	— 1,016	+ 125,178	+ 10,658	— 71,189	+ 65,015	+ 50,665	+ 76,665

## Notes:

**In Bulgaria** the state of the clearing account does not express the total amount of export claims, since the National Bank of Bulgaria only allows a certain maximum of unfavourable balance.

**Italy:** The unliquidated favourable balance of the account of old claims (payments for export up to 14th July 1936) has been paid off out of the yield of Italian imports to Czechoslovakia effected since 14th July 1936.

**Rumania:** In addition to the above balance of frozen assets, certain claims by Czechoslovak creditors exist in Rumania that have not yet been included in the clearing accounts.

**Turkey:** Exclusive of payments regulated by special agreements.

the two countries on the 28th March 1936. Imports of goods from Rumania to Czechoslovakia are divided into oil on the one hand, and all other goods on the other. Payments for each of these groups to Rumania is made in a different fashion. Payments for oil are concentrated in special accounts and the funds thus accumulating in Kč are taken over at the official rate of exchange by the National Bank of Rumania which pays the Rumanian exporters the appropriate equivalent direct in lei. Claims for other goods exported from Rumania to Czechoslovakia appear in Czechoslovakia in a special account at the free disposal of Rumanian creditors. They can sell these assets freely in Rumania to meet the payments which Rumanian importers of Czechoslovak goods have to make. At the same time this results, according to the supply of and demand for Czechoslovak crowns in Rumania, in an elastic Kč rate in Rumanian lei, the movements of which regulate the extent of mutual trade.

Within the scope of the payments arrangement there have also been fixed the primary conditions for mutual remittances arising from titles other than mutual trade. These payments are made by the National Bank of Rumania at the official rate of the Czechoslovak crown. Payments to meet the requirements of Rumania visitors to the Czechoslovak spas come from several sources, the most productive being the fixed allocation of Czechoslovak crowns accruing from imports of oil to Czechoslovakia. In respect of several special deliveries of goods to Rumania separate inter-State agreements have been made adjusting the relative transfers of payment.

The liquidation of old claims, that is, claims due before the 31st December 1934 is accomplished partly by percentual allocations from payments for the imports of Rumanian oil to Czechoslovakia, and partly by remittances from Czechoslovakia under titles other than for imports of Rumanian goods. Of late a substantial portion of these unliquidated assets have been consolidated in a loan granted to Rumania for the extension of her network of railways. It may be expected that the balance of the old claims will be paid off by the end of 1937.

Private compensation payments are in principle admissible with the consent of the two National Banks.

#### GREECE.

The latest adjustment of payments with Greece was made by an agreement dated 19th October 1936 (No. 227 in the Collection of Laws and Decrees of 1936), and dealing with payments arising out

of mutual trade. For Czechoslovakia's exports to Greece quotas are so fixed that the equivalent value of imports from Greece covers the current Czechoslovak export and shall leave such a surplus to pay off the existing balance in favour of Czechoslovakia, that this balance will be paid off in three years. For the settlement of current Czechoslovak claims accruing from the exports of goods, exclusive of sugar, there exists a "Special Account A" of the Bank of Greece, kept in Kč at the National Bank of Czechoslovakia in Praha, into which are paid from the Czechoslovak side the sums due for Greek tobacco. The settlement of Czechoslovak claims arising from sugar exports is made through the "Clearing Account—Sugar" in favour of which are booked the payments made by Czechoslovak importers of Greek goods, exclusive of tobacco.

#### TURKEY.

The basis of the latest payments arrangement with Turkey is the agreement of the 12th May 1936 (Regulations of the National Bank, No. 143 in the Collection of Laws and Decrees of 1936). The object of the agreement is the regulation in particular of payments for goods, though payments arising under other titles (financial payments, tourist traffic) are also provided for. The payments are made in Kč through the "Clearing Account of the Central Bank of the Republic of Turkey" at the National Bank, Praha. The agreement also allows of private compensation payments, except payments for imports of tobacco, raisins and nuts, the value of which must always be remitted through the above-mentioned clearing account.

The payment of contracts with long-term conditions of payment is adjusted by special agreements from case to case.

#### CZECHOSLOVAKIA'S BALANCE OF PAYMENTS.

The success of a currency and exchange policy depends to a considerable extent upon the country's balance of payments and the equilibrium of those payments. In wealthy countries whose balance of payments shows permanent surpluses currency policy encounters no natural difficulties. It is otherwise in the case of countries that in the interest of preserving a sound currency are compelled to devote appropriate care to securing a favourable balance of payments. In this case the economic and financial policy of a country is faced with problems and tasks the solution and fulfilment of which demand not only all the efforts of the State apparatus but also a longish period of time.



Where the balance of payments is more or less in equilibrium as a rule, it is relatively easy to meet a passing deficit by applying the exchange, or even the gold, reserves of the Bank of Issue. In the case of a lasting unfavourable balance of payments, in so far as no steps are taken in time to eliminate the deficit even if only slowly, there must necessarily ensue for the currency all the consequences which rapidly result in a forced and inevitable transition from a well-based currency to a paper one.

The best criterion of the dynamic character of a balance of payments is of course the development of the currency and exchange reserves of the Bank of Issue, which can be closely followed, whether in a free or blocked exchange system. In the rate of the exchange the dynamics of the balance of payments are reflected clearly only when there is a wholly free system of payments with abroad, while under a system of exchange control the picture is as a rule distorted by the manipulation of the rates.

The current items of the Czechoslovak balance of payments offset one another mutually up to the end of the year 1930. In 1931, however, as soon as the symptoms of the world crisis manifested themselves more distinctly, the current items of our balance of payments registered a deficit of approximately 400 million Kč.

The main pillar of Czechoslovakia's balance of payments is the country's foreign trade. The surplus accruing therefrom makes it possible to meet the debit items which are mainly of a financial and capital character.

Up to 1931 Czechoslovakia's foreign trade showed a favourable balance every year. The volume, of course, as a consequence of conditions referred to elsewhere, gradually declined. Thus, compared with a total volume of 40.4 milliard Kč in 1929, the foreign trade turnover in 1931 was 25 milliards, in 1932 only 15 milliards and in 1933 no more than 13 milliard Kč.

Those figures reflect not only a decline in the volume of trade but mainly a drop in prices during the period of crisis. Foreign trade in 1932 concluded with an unfavourable balance of 144 million Kč, while in the succeeding year there was an insignificant export surplus of 23 million Kč. Not until 1934 did the trend of development change. The devaluation in that year enabled an increase in the volume of foreign trade to be achieved. The favourable balance in 1934 was 888 million Kč, and in 1935 it was 684 millions. The year 1936 closed with a surplus of 110 million Kč notwithstanding an abnormal growth in imports.

The surpluses of foreign trade in the past few years have been of course rather on paper than actual. Countries with a blocked exchange system, to which a large percentage of our exports have gone, do not give our exporters free exchange with which they could make payments to third countries, but credit them merely with the amount of their claims on a clearing account. The surpluses of foreign trade with the countries that have a controlled exchange system cannot therefore be utilized at choice for settling any of the deficit items of the balance of payments, and these surpluses have therefore an inferior importance from the angle of the exchange balance.

The foreign trade results (net commodity trade) in general in the years 1930-1936 (in millions Kč) were as follows:

	Imports	Exports	Balance
1930 . . . .	15,712.4	17,471.9	+ 1,759.5
1931 . . . .	11,764.2	13,118.6	+ 1,354.4
1932 . . . .	7,486.7	7,342.7	— 144.0
1933 . . . .	5,831.1	5,854.7	+ 23.6
1934 . . . .	6,399.8	7,288.6	+ 888.8
1935 . . . .	6,731.1	7,415.5	+ 684.4
1936 . . . .	7,904.0	8,014.4	+ 110.4

If foreign trade be divided up according to whether it is trade with the free markets or with countries with exchange control, the results for the period of 1932 to 1936 appear as follows:

#### Free Markets

	Imports	Exports	Balance
1932 . . . .	3,803.8	3,830.2	+ 23.4
1933 . . . .	3,342.4	3,210.9	— 131.5
1934 . . . .	3,943.2	3,809.8	— 135.4
1935 . . . .	4,122.4	4,215.7	+ 93.3
1936 . . . .	5,027.6	4,827.9	— 199.7

#### Countries with Exchange Control

	Imports	Exports	Balance
1932 . . . .	3,682.9	3,512.4	— 170.5
1933 . . . .	2,488.7	2,643.8	+ 155.1
1934 . . . .	2,438.6	3,470.0	+ 1,031.4
1935 . . . .	2,616.2	3,202.5	+ 586.3
1936 . . . .	2,875.4	3,186.5	+ 311.1

From the above table it is to be seen that the surplus of exports in trade with the free countries in 1932 and 1935 not only was inadequate to offset the unfavourable balance with those same countries in 1933, 1934 and 1936, but that for the most part it expressed the non-liquidity of the surpluses secured with the blocked countries. The favourable balance of foreign trade for the whole period from 1932 to 1936, which on paper figures at over 1,500 million Kč, presents itself from the angle of exchange as a surplus for the moment unrealisable, and which must be made good either by previous surpluses or by abnormal means.

As a supplement to the above surveys of foreign trade the following table is presented to show, on account of its interesting nature, the development of export claims abroad as distributed among the free and the blocked countries.

#### State of Export Claims

Date	Free Markets	Blocked Countries
31, 12, 1934 . . .	1,391.0 million Kč	2,044.2 million Kč
31, 3, 1935 <sup>1)</sup> . . .	1,301.2	2,160.8
30, 6, 1935 . . .	1,236.9	2,170.7
30, 9, 1935 . . .	1,364.9	2,236.2
31, 12, 1935 . . .	1,470.2	2,218.0
31, 3, 1936 <sup>2)</sup> . . .	1,393.3	2,144.1
30, 6, 1936 . . .	1,415.4	2,126.3
30, 9, 1936 <sup>3)</sup> . . .	1,689.0	2,170.3

Another important item in the Czechoslovak balance of payments is transport, especially railway transit traffic. The yield of this item prior to the world economic crisis was invariable favourable to a considerable extent, but the competition put up by new avenues of transport and the exchange difficulties in countries which are our debtors in regard to transit traffic had their unfavourable effect; surpluses from transport became from the angle of payment less important, for just as in the case of other assets in the blocked countries they were not normally transferable. An effort to economise as far as possible in free exchange on paying transit charges was also natur-

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Notes: 1) Transfer of Italy from free to blocked countries.

2) Transfer of Spain from free to blocked countries.

3) State calculated in pre-devaluation rates.

ally manifested in those countries by both consignors and consignees of goods transported via Czechoslovakia.

A no less important item of the Czechoslovak balance of payments is tourist traffic. In earlier years this item used to be mainly based on estimates, and the result generally appeared more favourable to Czechoslovakia than was in reality the case. Exchange control, however, made it possible to ascertain the deficit side of the tourist traffic and to fix with tolerable exactitude the extent to which the balance of payments was affected by that item. The previous favourable balance of tourist traffic gave way in the crisis years to a deficit which, in the individual years, reached high figures. Tourist movement is now gradually expanding, but its debit items are making the more rapid advance. At the same time, from the angle of the system of payments with abroad it is acceptable that tourist traffic should tend increasingly to the blocked countries where a liquidation of our frozen assets is thus facilitated. The relation between the allocation of exchange by the National Bank for visitors to the free countries as compared with those to the blocked countries (according to the National Bank's own statistics) appears approximately as follows (in millions of Kč):

Year	Free Countries	Blocked Countries
1934 . . . .	122.9	160.4
1935 . . . .	90.1	235.4
1936 . . . .	133.7	410.0

Up to the outbreak of the world economic crisis emigrants' remittances constituted a valuable credit item in our balance of payments. The world crisis, however, caused a substantial diminution in the volume of this item, while on the other hand the investments and deposits made by emigrants in Czechoslovakia began in the crisis to be liquidated and a demand made for their re-transfer, so that from that moment relations with our emigrants meant for us, from the angle of payments, a certain burden.

Again there is a whole series of current items of predominantly debit character, such as insurance for example, that weighed, and still weigh, heavily upon the Czechoslovak balance of payments. This is illustrated by the following table:

Payments allocated and actually  
made to foreign countries (ac-  
cording to the internal statistics  
of the National Bank)  
(in millions Kč)

	1933	1934	1935	1936
Patents, licences . . . . .	43.4	81.8	77.5	90.2
Insurance . . . . .	108.4	100.1	88.2	97.8
Pensions, aliment, relief . . . . .	108.6	113.0	118.3	163.0
Agencies abroad . . . . .	44.8	79.8	164.9	165.9
Dividends, directors' fees . . . . .	72.1	125.4	223.2	256.1

In the last item in the table the rise in the returns shown by enterprises is in accord with the upswing in economic conditions, despite the fact that the participation of foreigners in Czechoslovak concerns has somewhat diminished owing to the repatriation of Czechoslovak dividend-bearing securities and participations which has taken place in the past three years.

Among the capital items that are of expressly debit character, the following in the main effect the balance of payments unfavourably:

Payments allocated and actually  
made to foreign countries (ac-  
cording to the internal statistics  
of the National Bank)  
(in millions Kč)

Service and sinking funds of public and private long-term loans, inter- est on private credits, and repay- ment of advances . . . . .	649.9	732.1	702.1	613.6
Withdrawal of foreign deposits, pur- chase of securities and holdings abroad, inheritances, etc. . . . .	46.0	197.3	311.5	468.4

If we compare the results of foreign trade in respect of payments and the result of the other credit items of our balance of payments with our obligations towards foreign countries, it is clear that it has been possible to meet the current deficits in the balance of payments and to make the purchases and repatriations of capital which were essential in the interest of a further consolidation of the economic independence of the State only by reason of the fact that on the one hand surpluses accumulated in previous years were available, and

by the fact that on the other hand special funds were raised to this end. The year 1931 saw the first compulsory offer to the Government of foreign assets which gave the National Bank new funds to the amount of some 140.5 million Kč. The second compulsory surrender in 1932 raised exchange to the amount of some 126.5 million Kč, and the third in the year 1934 which also included securities produced an influx of exchange to the National Bank of approximately 383 million Kč. A special source of assistance, again only of a passing character, was of course the French Loan of the year 1932. It was only when the first devaluation of the Kč was effected at the beginning of 1934 that a measure of permanent character was taken with the aim of consolidating the balance of payments by means of more intense and more favourable foreign trade for which the natural conditions were provided in respect of power to compete in the world markets. The devaluation of the currencies of the countries of the gold bloc carried out in 1936 led to our own second devaluation. This devaluation was directed towards maintaining the advantages secured for Czechoslovak export trade by the first devaluation even under the new conditions now prevailing.

In the table at the end of this volume the Czechoslovak balances of payments for the years 1925 to 1935 are reproduced, in the form compiled by the official Bureau of Statistics on the basis of returns and sources which cannot, however, always be exhaustive.

# *Bank-note Circulation and Credit Policy*

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## THE MEDIA OF CREDIT POLICY.

Within the scope of its care for the circulation it is the duty of the National Bank to see that the issue of bank-notes shall be maintained at a level which, in view of the given methods of making payments, makes it possible to effect exchanges of commodities produced for the purpose of sale, and either already sold or prepared for sale. The issue of bank-notes is made by granting credit on the basis of actual business. In granting this credit a bank of issue does not create an artificial purchasing power but merely mobilises, for the period of the realisation of exchanges of commodities, the purchasing power given by, and incorporated in, production for coming exchange which already constitutes a part of the national output. These commodities are the basis of credit, but the reason for the granting of credit is not the commodities themselves but the circumstance that they become, or will become, objects of exchange. Credit, however, is not the actual object of a bank of issue, for the granting of credit by discount or advances on collateral is merely a method of placing the requisite quantity of bank-notes in circulation.

If the object of an issue of bank-notes is to supply purchasing power to producers up to the moment of the effectuation of the second link in the process of exchange, that is up to the payment, or to the moment of sale in the case of commodities only prepared for sale, the issue should return at this moment to the bank of issue, and not remain in circulation after the payment or after effectuation of the sale. This requirement is automatically met by the commercial bill which represents an actually effected exchange. As long as the commercial bill was the rule in the system of payments, and as long as such bills were available in such quantities that they could be regarded as an expression of, and an index of, the requirements of circulation for effecting these exchanges, banks of issue substantially limited themselves to satisfying the calls made upon them, being well aware that in some cases they were granting credit perhaps several times over on the same commodities in so far as these became successively an object of exchange, but that in substance they put

into circulation just as many bank-notes as the mechanism of payments demanded. At this stage it suffices if the bank of issue examines the calls made upon it to see whether they meet the primary conditions of credit above mentioned, that is, that the commercial bills handed in should accrue from "actual transactions" and that in form and materially they should be of short-term character, that is, that they should present the assurance that they will be paid within at least 3 months. In addition to this, the debtors signing the bills must, of course, be a guarantee that the claim in bill form shall not prove irrecoverable in case of non-payment when due, which is not, however, a primary condition from the angle of bill credit but a requirement associated to a certain extent with every form of credit.

According to §§ 121-130 and Article VIII. of the Bank Act, § 8 of the Regulations of the Standing Committee, No. 166 of the year 1929, Article IV. of the Act of Parliament No. 25 of the year 1934, and § 13 of the Act No. 107 in the Collection of Laws and Decrees of 1933, the National Bank of Czechoslovakia is authorised to conduct the following business:

1. to discount bills, grain warrants, securities and coupons;
2. to make advances on pledge (advances of securities, warrants, bills of lading, promissory notes, gold and silver coin and bullion);
3. to accept deposits on vouchers or other receipts;
4. to accept deposits on current (cheque) accounts;
5. to issue non-interest-bearing vouchers on amounts deposited and letters of credit payable at sight, made out to bearer or to order;
6. to undertake the cashing of bills, cheques, money orders, securities, savings-bank books, and the like;
7. to pay the due capital and coupons of securities on which it is authorised to make advances, and to secure new sheets of coupons to bonds and securities;
8. to act as place of subscription for State loans and for other securities;
9. to purchase and sell securities and specie as commission business;
10. to purchase bills and cheques abroad, to sell such cheques and bills, to arrange about or purchase assets abroad, to make encashments and payments abroad;
11. to purchase and sell foreign and commercial gold and silver coins, and foreign paper money;
12. to purchase and sell gold and silver bullion.



Of these transactions the National Bank does not carry all out to the full extent possible, while some of them it does not, for the present, undertake at all, as for example the business indicated under items No. 3, 5 and 8.

The most important activity of the National Bank is to see to the circulation and its purity, to the right functioning of media of payment in the State, to see that the bank-note rate remains steady at the legal level, to see to the exchange system and the granting of credit to commerce and industry, to agriculture and the trades. In the transactions which the National Bank carries out within the scope above indicated, the aspect of profit-making is not very prominent, indeed it retires as it were into the background. The decisive factor is solicitude for the stability of the currency, for the bank-note circulation and its accommodation to economic requirements, for the interests of the State and the welfare of the country's economy. The profit-making aspect is a secondary consideration since the bank of issue loans out money on which it pays no interest if it puts it into circulation.

By the grant of credit to commerce and production bank-notes enter into circulation by which fresh incomes are formed, and thus a new purchasing power constituted which would not be without influence upon prices if the bank-notes remained permanently in circulation, and multiplied that quantity of money which is essential for the smooth working of the circuit of production, exchange and consumption. Thus the bank of issue may grant merely short-term credit which, it is true, facilitates the exchange of commodities, but is repaid when due in that the issued bank-notes automatically return before they can exercise their unfavourable influence upon prices.

Requirements in money differ both in the course of a year and in the course of a several-years-period of prosperity or depression, and the country's economy automatically absorbs from the bank of issue as the ultimate source of credit as much circulation as it needs, but the bank of issue must take care that the stability of the currency and the equilibrium between production and consumption is not disturbed.

The bank of issue regulates the circulation of bank-notes by means of its rates for credit, discount and advances on collateral. As production falls off, interest is lowered in order to stimulate enterprise, and when production is excessive the bank of issue strives to check over-production by higher rates of interest. This discount policy,

however, is only successful when the bank of issue fully dominates the circulation, that is, when it is not burdened with an abnormal State debt in any form, and when no limits are fixed to this policy by a compulsory adjustment of rates of interest in the country.

The wider the scope within which the bank of issue may, by the application of its discount rate, influence the extent of demand for bill credit, the greater is its possibility of affecting the money market. At the same time, however, only a portion of the burden of satisfying credit requirements must fall upon the bank of issue, so that it may not cease to be the ultimate, that is, the reserve source of credit, out of which the justified requirements may be met that, in the given circumstances, cannot be satisfied out of the means provided by the money market.

The bank of issue issues bank-notes, thus granting credit to a debtor either direct or through a banking institution. In the former case the bank of issue competes direct with the banks in the money market, and provoking competition also among the banks protects the efficacy of its official rate, while in the latter case the bank of issue surrenders its opportunity of direct intervention in the money market in so far as concerns the satisfaction of demand for credit on the basis of commercial bills, and becomes a "bank of banks".

The following are the media of credit employed by the National Bank:

- discount of bills and grain warrants,
- discount of securities and coupons,
- advances on bills and securities.

It is unnecessary here to enter into details of advances on other pledge material, even if the Bank of Issue Act allows of them (advances on gold and silver coin and bullion, warrants, bills of lading, deposit books of the State Exchange Loan), since these credit transactions are practically not effected.

The requirement of a short-term character for advances is not laid down with entire precision in the Joint-stock Bank of Issue Act.

A formal, technical short-term character is absolutely essential to enable the National Bank to maintain its decisive influence upon the mobility of the funds invested in credit transactions. The National Bank has, it is true, the right to allow a prolongation of credit, but of course again only for the short term laid down in the Act, but it cannot be compelled to permit of a prolongation. The only ex-

ception applies to the discount of State bonds under the terms of Act of Parliament No. 333 in the Collection of Laws and Decrees of 1921, which assures them the character of discount and prolongation.

It is the duty of the National Bank to grant credit upon securities, etc. which guarantee security, short-term character, and automatic liquidity. This latter characteristic applies only to such media of credit as accrues from actual business (commercial bill) or where the credit is closely connected with the existence of the pledge of goods destined for sale (mainly grain warrants). As soon as the goods sold have been paid for, the circulation issued is to return automatically to the bank of issue. The law permits also of credit on media in the case of which there is no connection between the instrument of credit and the credit requirement, and in the case of which there cannot therefore be any automatic liquidity. In such cases it is necessary to examine into not only the short-term character but also the economic justification for the credit.

If some credits show themselves to be of long-term character, the causes must be pointed out. The long-term capital market does not function at certain periods as it should function in order to be capable of satisfying all justified calls for long-term credit. This is a consequence, on the one hand, of the fact that not all the available long-term capital comes to it, for a considerable amount is invested on short-term conditions, and on the other hand, of the fact that there is a shortage altogether of long-term funds to satisfy all long-term requirements whether public or private.

In the second place, a change in the method of financing production by the banks is the cause of a shift from short-term commercial credits, based largely on the commercial bill. The disappearance of the commercial bill means that even the credit of the commercial banks is converted from credit on merchandise to credit advanced to persons and undertakings, and the result is that financing by the bank of issue is changing from a financing of the money market to a financing of the banking institutions, the credit-standing of which alters but little, thus causing the circulation to lose in elasticity (Dr. K. Engliš: "Revival of the Money Market", pp. 29-30).

An amendment of the year 1929 supplemented the provisions of the Act of 1920 as regards credit advanced to the State. Par. 128 prohibits every grant, whether direct or indirect, of credit to the State with the exception of the cases enumerated in §§ 129 and 135.

In § 129 it is laid down that the State, the State offices and State institutions may not be granted advances on State loans (and in analogous fashion advances cannot be granted to the institutes authorised to issue securities on securities which they have issued and are in their own possession). The Bank may, with the approval of the Board, discount customs bills, tax bills, and bills issued on the production of tobacco, salt and mining output which possess the properties enumerated in § 122 (discount), and have been handed in by the State administrative authorities.

In the final section of § 129 mention is made of the special case of the purely temporary requirements of the State: The Bank may conduct commission business for the State, may accept payments and make payments for the State. Any balance which the State may owe on these transactions is to be paid off within a week at the latest after every monthly presentation of accounts. In the agreement between the State and the National Bank of the 2nd February 1927 it was laid down that any such balances should bear interest, to be paid by the State, from the date of inception to the day of payment, at the rate of the discount rate for the time being. In the amendment of 1929 there was inserted in § 129 the provision that until the State-note debt dropped to at least 1,000 million Kč, the Bank would, by way of exception to the principle expressed in sec. 1 of § 129 of the Bank Act, be authorised to settle any temporary differences between the receipts and outgoings of the State treasury by discounting State bills up to the amount of 200 million Kč. This temporary credit must be completely paid off at the latest by the end of March in the succeeding year. The bills must show at least one binding signature of a banking institution. According to the report of the Budget Committee on this amendment, it is intended thereby to facilitate the covering of the temporary requirements of the State treasury on the most favourable conditions possible. "The principle, however, that it is impossible to cover bank-notes by a mere undertaking on the part of the State must be maintained even in this case. Therefore the binding signature of one banking institution is required in the case of such bills."—This provision is not practical in so far as the State-note debt does not drop to the level fixed.

Par. 130 of Act of Parliament No. 347 in the Collection of Laws and Decrees of 1920 prohibits the Bank from accepting bills, guaranteeing them for others, or making advances on its own shares.

## DISCOUNT.

The National Bank grants discount credit to the banking institutions, thus differing in its practice from the standpoint of the Austro-Hungarian Bank which permitted bills to be handed in by any firm enrolled on the so-called credit register. The National Bank in practice recognises only isolated exceptions. The discounting of bills only for the banking institutions enables the Bank in the first place to fulfil its mission of being only a bank for banks, and of covering credit requirements only in second line. This rule is not applied in the case of direct credit whether for export purposes or for domestic requirements in which direct discount credit (on which it is also possible to raise credit by advances on bills of longer than 92 days date but not more than 6 months) is allowed to firms. The conditions for this credit are either three good signatures, or, as is oftener the case, two good signatures, the third being substituted by own securities or by securities deposited by the State within the meaning of Government Decree No. 234 in the Collection of Laws and Decrees of 1935. The exception in this case to the principle of intermediary credit is justified in part by the need of cheapening credit for the industries that suffer from foreign competition either abroad or in the home market, and in part by the fact that no competition was involved for the banking institutions if by means of direct cheap credit at the National Bank support was forthcoming for enterprises in securing new marketing opportunities.

A change in discount as compared with the position under the Bank Office of the Ministry of Finance and under the Austro-Hungarian Bank is to be seen in the provision permitting of a substitute for a third signature in the case of securities. The National Bank makes very considerable use of this facility.

In this case it is mainly a matter of direct credit discount. Originally, under the terms of Government Decree of the 26th April 1935 (No. 100 in the Collection of Laws and Decrees), direct credits were facilitated on the basis of the issue and deposit of State bonds by the financial authorities only on bills handed in by exporters and accruing from export business. This Government Decree was replaced by Government Decree of the 19th December 1935 (No. 234 in the Collection of Laws and Decrees) under which direct discount was made possible by the deposit of State bonds not only on bills presented by exporters and accruing from export business, but also

by tradesmen and manufacturers, and accruing from actual business transactions within Czechoslovakia.

In addition to this it is possible to make up the full market price value of securities by a third surety even in the case of commercial bills which would otherwise be suitable discount material only that in their case out of the three signatures two constitute only one surety for the National Bank, and for lack of a third guarantor they could not be discounted by the National Bank. Two signatures are regarded as only one surety where some undertaking is, to the extent of a considerable proportion of its capital, dependent upon another undertaking.

The Bratislava Branch of the National Bank has been given the right of discounting for the banking institutions farmers' bills, signed in addition to the signature of the presenter by a farmer, or a farmer and his wife, provided the third surety is replaced by securities of full market value.

In a number of cases, especially in some cases of special credits, for example, certain seasonal credits, it is laid down as a condition of granting them that securities shall be deposited in certain proportion to the credit granted or availed of in order to serve as a strengthening of personal surety.

Customs and tax bills which the National Bank is entitled to discount within the meaning of the Bank of Issue Act may be regarded as equal to commercial bills. In respect of security, short-term character and automatic liquidity they are very like commercial bills. In this case it is a matter rather of short-term mobilisation credit for industry and commerce than State credit.

Credit on the basis of goods prepared for sale but not yet sold, or short-term credit on the ultimate stage of the process of production when the output has an ensured market and the product is not intended to remain any considerable time on stock, is not in principle excluded from the agenda of the Bank of Issue. In exceptional cases commercial bills are prolonged when the transaction on which they were based is due for liquidation within a longer term than was taken as basis in fixing the original date of payment.

Liquidation within an extended period may also occur in seasonal credit. The reason is supplied, first and foremost in the fundamental limitation of these credits to the economic season, that is, usually 6 to 9 months, within which the credit must be repaid. In all cases it is a matter of an economic process with well-defined season, as a rule a process by which the output is to be turned into money.

In so far as the credit is connected with the existence of a pledge of goods destined for sale (especially grain warrants) one may speak of an automatic liquidity of credit. Seasonal credits can only move within a limited scope which can be regulated at discretion by the National Bank.

The most important category of seasonal credits has become that of credits on grain warrants. An Act of Parliament of the 28th June 1933 (No. 107 in the Collection of Laws and Decrees) introduced grain warrants, and the National Bank agreed to discount them on the scale for discount of bills, and can do this all the more as the discount of grain warrants does not give rise to new claims on the Bank of Issue, and only a low official rate of interest was designed to benefit the farmers directly. Credits for farmers on the grain that has been reaped, threshed and stored in the granaries have not so far been cultivated, mainly on account of the difficulties which arose in connection with establishment of a lien on grain. Now that this difficulty has been removed by means of grain warrants the farmer must not sell his grain soon after the harvest when supplies of grain are most plentiful and prices therefore at their lowest in order to meet the obligations which he has taken upon himself with the promise of paying after the harvest, but he can pay his debts out of the advance which he secures by means of grain warrants and thus wait to sell his grain at a moment when prices are more favourable.

When, by Government Decree of the 13th July 1934 (No. 137 in the Collection of Laws and Decrees) trade in grain, milled products, flour and certain kinds of fodder was adjusted, and a Czechoslovak Grain Society founded with monopoly rights in the purchase of grain, the National Bank advanced the Society credit for the buying in of grain.

In the matter of security, grain warrants are the equivalent of bills. In addition to personal surety, to the quality of which the National Bank devotes the same care as in the case of bills, there is also the guaranty of the pledged grain (the grain warrants are made out to two-thirds of the value of the pledged grain). Grain warrants, too, are submitted to the National Bank through banking institutions, or by the agricultural cooperative federations which are the first and immediate guarantors.

Grain warrants may be prolonged after the expiry of the first 92 days. The limit is given on the one hand by the Act itself which fixes 31st May as the latest date of payment, and on the other hand

by the scope itself of the grant of these credits which are granted as seasonal credits payable by 31st May without any obligation of prolongation beyond that date.

The normal construction of credit on grain warrants allowed for the credit being liquidated at the latest by the 31st May each year, and for there being no need to prolong it beyond that date much less into the new season.

As, however, experience showed otherwise, it was necessary to seek a solution, and this was found in the form of a prolongation of a certain proportion of grain warrants in the form of grain bills, a solution which must be regarded as exceptional and provisional.

The grain bills which take the place of grain warrants after the 31st May have not, of course, the advantage of being a material pledge, even though the bills are guaranteed by grain supplies. As regards the signatures, care is taken that the security for the credit in the case of grain bills is adequate. It must be emphasised that it is a matter of granting credit to the main commission body, or to the Czechoslovak Grain Society, for after the 31st May so far grain has always been purchased at first hand.

The normal construction of credit in the case of the grain warrants at the National Bank takes the form of a short-term (seasonal) system of advances on unsold grain in possession of the grower, and of short-term financing of its purchase, but not of long-term financing of its storage. By means of the credit granted on old grain, however, in the new season, the storage of grain is undoubtedly financed. The grain bill credit system must therefore be regarded as a wholly exceptional measure, justified by the abnormal fact of unliquidated stocks brought forward from the old to the new season, for the financing of which there exist no adequate funds in the money market. The National Bank grants grain bill credits by way of exception to a relatively restricted extent and on the condition that such credits must be paid off in the first months of the new harvest period.

All other seasonal credits take bill form. As regards the security, sometimes when two signatures do not constitute full guarantee—for example where two signatures are to be assessed as only one security, credits are usually granted on the condition that securities are deposited in a certain proportion to the amount of credit granted or taken up, in order to strengthen the cover. Sometimes a material guaranty is added, when the National Bank demands a declaration that the stocks upon which the credit is granted shall guarantee the



credit, and that, should they be sold, the credit must be paid off (sugar and vintners' credits).

Seasonal credits are connected mainly with the seasonal character of agricultural production, whether the credits are for agriculture or for the agricultural industries.

Sugar credits are granted to the sugar factories as an advance upon the manufactured but as yet unsold sugar. The credit is secured by the stocks of sugar the value of which must exceed by 50% the amount of the credit actually availed of, according to the declaration of the sugar factory, or the bank concerned in the transaction. Irrespective of the date when the credit is due for repayment the credit must be paid off parallel with the decline in the stocks of sugar.

Distillery credits are as a rule granted for the purpose of the purchase of raw materials for the distilling campaign to the co-operative distilleries. The date of repayment is generally fixed for the early months of the coming year.

Of the other seasonal credits the most important in extent are those granted to the agricultural cooperative federations for the purchase of agricultural requirements for the farmers from the agricultural cooperative societies, and thus seasonal trade credits. They are usually granted prior to the grain harvest when the purchases made by the farmers from the cooperative societies are mostly made on credit, paid off at the close of the year when the bulk of the crops have generally been already sold from first hand. In their object of mobilising the harvest yield they approach the character of the credits granted on grain warrants.

The rest of the seasonal agricultural credits have relatively small importance within the framework of the credit operations of the National Bank as a whole, though their economic significance is considerable, since they are a matter of satisfying the credit requirements of the country districts.

Hopgrowing credit is granted for hopgrowers as acceptances for the purpose of making advances for the grown but as yet unsold hops. These credits are due for repayment at the end of the year or at the beginning of the coming year. They can only be taken up after the picking of the hops, so that they cannot have the character of production credits.

Of similar character were the flax credits granted in the year 1934 for the purchase of flax but never taken up. The date of repayment was fixed for the end of March 1935.

Sugarbeet credits were granted by way of exception to the beet-

growers' organisations for the purpose of making advances to the growers, and were repayable by the end of the year or the early months of the coming year. Through them, advances could be made to growers for beet as yet not got in, so that the credits had also the character of production credits. They were, however, of but little extent, and in 1936 none were asked for.

Much interest was aroused by the negotiations which centred round the demand for vintners' credits. The wingrowers demanded the introduction of wine warrants, the object of which would be to secure adequate and cheap credit for them, so that they would not be compelled to sell the yield of their vineyards immediately after the harvest. Up to the present, however, there has been no classification among us of wine into types, wine is not a commodity that can be represented, as there is no official or Bourse price fixed for it, and as yet there exists no winegrowers' economic and financial organisation which would afford a guaranty that the data appearing in the warrants are correct, and which would in case of need assist in the warehousing of wine or its supervision, it is not possible to effectuate this proposal which is based on the model of the grain warrants. The National Bank, however, has granted, and still continues to grant, to certain winegrowing cooperative societies bill credits as short-term seasonal credits within the scope of the general conditions for discount of bills. The credits must as a rule be repaid by the middle of the coming year.

In addition to short-term commercial material and seasonal material, farmers' credits are demanded in Slovakia and Carpathian Ruthenia of an economic long-term character, and the interest for these will continue until adequate means of long-term credit become available in Slovakia and Carpathian Ruthenia just as in Bohemia and Moravia-Silesia.

As in this case it is a matter of bills which it would be frequently necessary to reject in view of the mutual material interests and kinship of the individual signatories, it was only allowed by way of exception to the banking institutions that applied to do so, to hand in to the Bratislava Branch of the National Bank bills to a certain amount with two sureties, the third guarantee being provided by the deposit of full value securities. In this connection the National Bank has a direct interest in the speedy establishment of a popular banking system with powers of issue in Slovakia and Carpathian Ruthenia.

The National Bank is empowered to discount securities and cou-

pons due within three months in so far as it is permissible to make advances upon them. Analogous rules apply to them as to the discount of bills. It is a matter of short-term guaranteed credit, the repayment of which is guaranteed by a security or its coupons. As the connection between the application of the credit and need of credit is not apparent from the media of the credit, it is essential to examine the economic justification of the credit. Credit would be refused, for example, for purposes of speculation.

This category of credit instruments also includes the discount of bonds under the terms of the Act of Parliament of 12th August 1921 (No. 333 in the Collection of Laws and Decrees). These bonds, the balance of which now totals 750 million Kč are discountable at the National Bank. They are payable within three months, but renewable on maturity, and represent an instrument which can very well be employed for the application of long-term credit. The banks, however, as a rule make use of them only for short-term purposes; otherwise the possibility of discounting them is left to constitute a mobilisation reserve.

The small amount of discounted bills observable at certain periods in the returns of the National Bank gave rise on more than one occasion to an investigation into the cause of this feature generally. The cause was stated to be the high bill stamp, and the decline in financial morality on the part of debtors after the War, when even a conscientious and orderly merchant could not undertake any obligation under bill as it was very doubtful if his debtor would pay him in time. Another cause was stated to be the fact that the creditor under the bill did not enjoy in the overworked courts the same protection, or such speedy remedy, as he had enjoyed before the War. All these are serious reasons, but the decisive cause was in fact something other. After the War even the banks had to meet increased costs of management and therefore the margin between the credit and debit rates of interest was much larger than prior to the War. Commercial bills before the War were concentrated for the most part in the commercial banks. Although commercial bills had a favourable rate of interest, good bills of this kind were discounted by the banks at rates which differed only by a fraction from the official rate. The banks fostered this business, and indeed were compelled to foster it, for they depended upon the Bank of Issue, and it was only by sound commercial bills that they could secure funds from that Bank. After the War conditions were different. There were so many bank-notes in circulation that sound, mobile banks possessed,

in their cheque account deposits, tens and even hundreds of millions over which they had free disposal, and thus had no need to apply to the Bank of Issue for credit. Even in case these assets on cheque accounts were inadequate, the banks possessed in their portfolio discountable State bonds and certain discountable treasury bills, in addition to which, in the years of prosperity they had foreign loans at their disposal. They therefore preferred to advance current account credit which was more profitable, and at the same time simpler and more convenient for undertakings.

The decline in the use of bills has, however, a whole series of causes. Of these, it is especially the ones which have the character of structural changes in the character of the systems of payment that explain why numerous efforts to reintroduce bills did not produce the desired result. Among the causes were the following: a change in the manner of financing industrial and commercial undertakings which brought the undertakings into greater dependence upon the banks; the cartelisation of production and distribution in a whole series of branches; a dense network of cooperative societies possessing their own system of banking institutions, and a special clearing of balances within the scope of the cooperative banking institutions; and finally the adjustment of dealings in grain upon a monopoly basis. In addition to all that, bill credit was relatively dear, in view of the decline generally in debtors' morality it was unreliable, and does not enable a survey of the debtors' obligations to be obtained as in the case of current account credit which became general in the post-War years.

In Article XIV of the agreement between the Czechoslovak Government and the National Bank of Czechoslovakia of the 2nd February 1927, the National Bank undertook to grant agricultural short-term commercial and production credits and to encourage their employment. The National Bank was, in particular, provided the liquidity of the Bank and the currency interests of the State allowed, to grant credit on the basis of agricultural bills running for more than 92 days but due within 182 days. The Bank was, under the prescribed formal conditions and normal supervision, first of all to make advances on such bills at a rate in normal times no higher than  $\frac{1}{2}\%$  in excess of the official discount rate. On maturing at the end of 92 days they were to be discounted under the usual conditions laid down in § 122 of Act of Parliament No. 347 of the year 1920. Furthermore the Bank would naturally allow of discount on normal terms of bills of this nature maturing within 92 days. The Bank takes up

these bills at the least to the proportion of 10% of the whole of its stocks of bills. A bill issued for purposes of agricultural production and signed by at least one surety who is a farmer or an agricultural cooperative society is regarded as an agricultural bill.

#### LOMBARD. ADVANCES ON SECURITIES.

The National Bank in granting credit on the lombard basis, acts on the same principle of the creation of bank-notes as in the case of discount of bills in so far as it tests not only the quality of the debtor but also the object which the credit is to serve, and enquires whether the essential conditions are forthcoming for short-term character not only formally but also in essence. The National Bank cannot grant impersonal lombard credit irrespective of the purpose it is to serve, because it cannot remain satisfied with the measure of security for the credit which would satisfy any other banking institution. Lombard has its origin as a form of bill credit in advances on precious metals and commodities manufactured for exchange, as far, however, as securities are concerned to-day as the basis of credit, it cannot be the rule, because it does not exclude the possibility of an inflational increase in the circulation even when it is limited to cases of economically justified requirements.

As far as lombard is concerned of the cases coming within § 123 of the Bank Act, these are practically cases of advances on securities on the one hand, and cases, on the other, of advances on bills maturing within six months, and on bills drawn on foreign countries likewise maturing in six months.

A most important instrument of credit is the advance on securities.

The National Bank, within the scope of its terms for lombard, grants advances in the great bulk of cases of securities to which this form of credit applies to the extent of 75% of their market value. The National Bank grants an advance only to an applicant whose capacity to pay (independent of the security) is well known. The most important guarantee of punctual repayment of credit for the National Bank is the provision contained in § 123 of the Bank of Issue Act: "It is the duty of the debtor on request to increase his security proportionately, or to pay off the advance. If the advance is not duly paid off, the Bank is entitled, in order to secure payment of its claim, to sell the pledged securities even without the knowledge of the debtor and without any legal proceedings." In contra-

distinction to the discount of securities and coupons, there is no certainty in the case of advances on securities that the credit will actually be repaid at the due date, apart from the certainty conditioned by the possibility of a compulsory sale on the Stock Exchange. There is therefore, in the case of advances on securities, always the danger that the advance may be misused for investment or consumption requirements, or indeed even speculation purposes, and it is therefore essential on granting it, and again on every occasion of prolongation, to examine into the economic justification of the credit. Among the speculative purposes to which the credit may be put the case may be mentioned where the advance is intended to exploit the difference in interest in case the yield of the pledged securities is higher than the rate charged for the advance. The National Bank must, of course, meet this danger by an appropriate adjustment of the rate for advances.

In so far as the National Bank has shown in its returns since 1931 considerable items of advances on securities this has been partly the consequence of the passing public requirements on the occasion of the end-of-the-month settlements and partly the temporary requirements of the banks as a result of abnormal stringency in the money market. In the year 1933 came the advances made to the German savings banks to enable them to overcome the difficulties that had arisen in connection with the moratorium granted to the Centralbank der deutschen Sparkassen. This assistance was essential at a time when there was no other means of securing a credit for the savings banks, the only means of enabling them to fulfil their obligations towards their depositors. Steps had to be taken to prevent a precipitate sale of securities on the stock exchange which would have entailed grave losses for the savings banks and would have menaced the stock market. These credits were paid off in notable fashion in a few years, particularly in the course of 1935 and 1936, either out of the proceeds of long-term loans secured from various banks, or out of new incomings of deposits, or in exceptional cases out of the proceeds of the sales of securities at improved prices. After the establishment and strengthening of the Rediscount Institute, and the inauguration of a Banking Centre of Czechoslovak Savings Banks, and after the liquidation of the Centralbank der deutschen Sparkassen, these advances will now cease in the near future to be of any considerable extent.

In addition, there are several items of lombard credit, connected with the recovery of the money market, by means of which the funds

of the Rediscount Institute were temporarily supplemented, and by which stock exchange advances on securities were stimulated.

Compared with 1933 and 1934 a considerable improvement has taken place in the quality of lombard business. The cases of advances on securities must be regarded in the same light as short-term credits, for they serve in reality only a temporary application of credit for a brief term, for example, for end-of-the-month settlement purposes.

Advances on bills drawn on the home as well as the foreign market find application only in direct credit. The extent of such transactions is relatively unimportant.

The Bank of Issue Act contains a provision (§ 123) designed to secure the predominance of commercial discount over advances on securities: "The sum total of advances granted on a pledge by hand shall not as a rule exceed the portfolio of bills discounted according to § 122. If it should exceed that amount, the rate of interest for the advance on the pledge must as a rule be increased to 1% in excess of the prevailing discount rate." Prior to the amendment of the year 1924 the difference in this case was to be  $1\frac{1}{2}\%$ .

## THE MONEY MARKET.

The limits to the credit activities of the National Bank of Czechoslovakia are prescribed by the provision relating to gold cover which ensures the liquidity of the Bank. Its ability to grant credit up to the extreme limit represents the credit capacity of the Bank. The National Bank cannot, however, utilize this credit capacity to the full: it must be prepared also for changes which may occur either on the part of gold, or on the part of credit requirements. Changes in the stocks of gold result from movements in the balance of payments. Regard for foreign contacts compels the Bank of Issue to maintain stocks of gold and exchange considerably above the level laid down by law. In view of the changing credit requirements the National Bank must maintain elasticity so as to be able to increase or reduce its credits as required. Credit requirements have first to absorb the free capital that is on offer in the money market, and only after that should manifest themselves in calls on the Bank of Issue. Credit requirements should first force the money market to accommodate itself to circumstances, bringing about shifts of such character that, in so far as there appears a need to supplement the

supplies of credit by bills, the calls should be in both form and contents acceptable to the National Bank.

The National Bank carefully follows the development of credit requirements as they manifest themselves in stringency and easy conditions. Stringency on the money market lacks adequate indices of its tendency in view of the rigidity of interest rates and prices. It is now rather to be measured by the quantity and character of the supply and demand for credit than the level of interest rates and prices.

The activities of a bank of issue cannot lack the feature of appropriate control of credit in the sense of economic management of credit, which means such activity in the process of issuing bank-notes as to achieve a uniform tension in the money market and stability of rates of interest, even if now the extent of discount business has changed through a decline in the importance of the commercial bill, and all the more so as now interest rates have been standardised by law and weight is laid upon a policy of credit distribution.

The substantial element in circulation to-day consists of bank-notes which are put into circulation on the basis of credit negotiations and promises which have the character of seasonal and campaign credits granted to the individual branches of production, in some cases limited to certain areas of the country. In the case of these credits, the concrete bill transaction drops into the background, indeed the concrete debtor and the credit is fixed by a quota, limited in time to the duration of the period of production, or to the period in the course of which the products must be sold. All these credits which are not granted in substance to a concrete debtor but to the appropriate group, represented for example by a cooperative federation were granted even formerly by the National Bank in settling the seasonal circulation requirements, but it was done as a rule by means of the self-liquidating commercial bill. By credit negotiations with the relative interested corporations as to the amount of the credit which the National Bank is willing to grant, the Bank surrenders, at least partially, its influence upon the distribution of the credit, particularly in so far as these corporations are authorised to distribute the credit among the individual categories of producers in agreement with the National Bank. In this manner there was found a method of more extensive allocation of credit to agriculture, with special regard to the specific distribution of outlay and receipts arising from the process of agricultural production through the course of the year. Where the period of outlay does not coincide with the



period of receipts the disparity is bridged over by credits guaranteed by the agricultural banking organisations.

The block of seasonal credits with which the National Bank balances in certain branches the oscillations in requirements in the course of the year, implies circulation, the elasticity of which is in a certain sense reduced by the fact that it is not regulated by the money market and does not vacillate with the movements of the funds which enter the market. The requirements are estimated in advance in negotiations with the institutions concerned whose funds are invested in these global credits.

The economic machine does not work uniformly all the year round, all the current payments are not distributed uniformly, and therefore the requirements of circulation which make these current payments possible in cash are not stable.

An analysis of these changing requirements shows that they occur in outstanding fashion in monthly and quarterly periods, and again according to seasons.

The monthly and quarterly waves are a consequence of economic, juridical and social institutions which cause an unequal distribution of cash payments, making them accumulate towards the ends of periods. Increased requirements for payments enforce on the one hand a concentration of ready funds either in the form of cash or in that of deposits, and on the other hand increase the calls for credit. At the National Bank it is possible to observe the strength of the monthly and quarterly waves most particularly in the case of cheque accounts in which, in the course of a month and in the course of a quarter, there accumulate funds which are exhausted at the close of the month and quarter respectively; it may also be observed in the case of commercial credits. Bill transactions have most frequently the monthly and quarterly settling days as dates of repayment. On these occasions the place of ready funds is taken by credit at the National Bank, which is afterwards speedily repaid.

A very substantial relief to the end-of-month settlement was the shift of the date of payment of civil servants' salaries to the 10th of the month, as well as the payment of pensions and relief payments to the 4th of the month. For this reason it was also proposed that quarterly payments of rent commencing on the 1st of January should be changed so as to commence on the 1st of February. In December 1936 a return was made to the original date of payment of the salaries of civil servants.

In addition to these monthly and quarterly periods of tension,

there are periods of still greater tension at the half-year and especially at the close of the year when the monthly, quarterly, and annual settling day coincides.

A more uniform distribution of requirements results in a more uniform line of calls for credit and of credit transactions at the National Bank, but at the same time an economy in the employment of circulation.

More protracted waves in the circulation and in the credit curve are caused by seasonal requirements connected generally with the seasonal agricultural production, either agricultural output or the output of the agricultural industries. At certain seasons large payments fall due which demand the concentration of ready funds secured by credits.

The National Bank must be prepared to be able by its supplementary credit to contribute to overcoming the stringency in the money market, whether it be the result of monthly, quarterly or seasonal requirements. It is the duty of the National Bank by granting credit in good time to ease the tension and to check any undesirable movements in rates of interest or prices.

A recognition of the periodical requirements makes it possible to distinguish these from the requirements that are indeterminate in point of time. These latter requirements may be split up into several components that show the various, often opposing, tendencies that determine them.

With an upswing in economic conditions the call for commercial credit grows, while economic depression causes it to decline. This curve is best expressed by the stock of real short-term commercial material judged according to the amount shown by all the banking institutions, especially the commercial banks, and not according to the position at the National Bank only. This development of the commercial bill answers approximately to the development of general economic activity.

The development of credit requirements of financial character is more complicated. In a period of crisis a decline of deposits in the banking institutions causes a restriction also of the financial credits granted for business requirements. This contraction of credit, however, does not run along uniform lines but manifests itself with varying intensity. In cases where the operations of an undertaking cannot easily be reduced in proportion to the drop in marketing opportunities and returns, there is seen, mainly at the outset of the crisis, an increase in financial credit requirements. In so far as the crisis

manifests itself in a withdrawal of foreign capital, as was the case in 1931, considerable new calls for credit likewise ensue in the home money market. A similar effect is also caused by the "freezing" of assets abroad.

To these credit requirements of a private economic nature resulting from the crisis are added public requirements, especially those of the State as a consequence of the deficit in budgetary accounts which occurs in a time of crisis.

The banking institutions whose liquidity deteriorates at a time of crisis, mainly as a consequence of the withdrawal of deposits, are compelled to resort to increased rediscount. Thus, although the total amount of commercial material declines in the crisis, the credit transactions of the Bank of Issue, especially at the outset of the crisis, show an increase.

As soon, however, as the short-term commercial credit funds, which the banking institutions can mobilise, are exhausted, and economic conditions continue to deteriorate, a decline in the credit business of the Bank of Issue must set in, otherwise the Bank of Issue would be artificially maintaining the circulation at an unlowered level and at the cost of ever greater non-liquidity, at the cost of creating an artificial and inflational purchasing power.

The State or other public body requires long-term credit either to cover a current deficit (and thus the credit has a consumption character) or to finance works of productive investment which cannot be met out of current incomings. In no case is the National Bank allowed to grant long-term credit either of a consumption or investment character. The issue of monies uncovered by commodities creates an artificial purchasing power which manifests itself at the cost of all the previous owners of money and assets. The creation of long-term monies would in the long run reduce the exchange value of the currency unit both at home and abroad.

Attention is drawn to the favourable effects of public investments just at a time when private economy is not strong enough to show recovery. It must not be forgotten, however, that recovery has a permanent value only if it develops into an upswing in private economy when flourishing conditions are general and uniform. If productive and paying values are not produced, there remains in the end a public debt incapable of amortising itself from the investment. There are, of course, public investments which are essential and conditioned by vital considerations for the country. All the same,

the fact cannot be concealed that the economic benefits they produce are offset by the losses sustained in the capital they consume.

In Bohemia and Moravia-Silesia a classification of banking institutions according to the material character of credits led to the ordinary banks becoming institutions for big commercial and industrial credits, while the popular banking concerns supply small credits for agriculture, the trades and shopkeepers. The popular banks, leaving out of account the neutral savings banks, were further split up in their classification according to the particular classes they served in the sphere of agriculture and trade. Similarly in the sphere of long-term credit there was a differentiation according to the satisfaction of credit requirements in the different areas of production. Some of the credit institutions, especially those of public character, are compelled to adopt a certain scheme of differentiation. The money market is divided into elements corresponding to the areas of production, between which there exists only partially an equilibrium in the supply and demand for capital funds. It thus happens that in one sector there may be stringency, while in another easy conditions exist.

These inequalities also manifest themselves at the Bank of Issue in its relations with the money market—calls for credit also manifest themselves there, although they could, and ought to be, met by the money market. The National Bank has an interest in the uniform functioning of the money market even on the basis of its present composition. Progress in the direction of uniformity of credit demand was made, for example, as a result of the necessity of financing big stocks of grain—which is done by funds provided by an ever-increasing circle of financial circles—the calls on the National Bank remaining constant or declining if anything, although the total requirements after the harvest of 1936 increased. The distribution of the money market according to material requirements has an advantage in the fact that it leads to accommodating credit conditions to requirements, so that credit is the better able to fulfil its economic function.

Agriculture has considerable need of long-term credit for purposes of upkeep and inventory. This demand was met in normal times with relative ease in Bohemia and Moravia-Silesia in view of the low rates of interest payable, for a low rate was then counterbalanced by the soundness of the mortgage security. Current requirements in agriculture arising from the financing of production are either stable, and thus are usually satisfied by long-term credit, fre-

quently with mortgage security, or are temporary, though longer than of three months date in accord with the longish process of production in agriculture which in some cases lasts for several years. This temporary need should, in view of the changing movement of money in enterprise be satisfied in elastic fashion. In addition to current account relations, bill credit and credit on grain warrants have become usual, thus to a certain extent showing a development opposite to that in industry. Such credit, as far as the shortest terms are concerned, can be mobilised also by rediscount at the Bank of Issue.

For industrial long-term requirements mortgage credit has much less importance than for agriculture, since a relatively much smaller proportion of the capital employed in the undertaking is invested in real property than is the case in agriculture, and the value of these investments is subject to great changes. Industrial credit, whether for productive investment or current working is based on confidence in the economic standing of the enterprise and to a less extent upon material security. In so far as the credit has been granted on a commercial bill, the relation between the credit and the process of production is maintained. To the extent to which bill credit has been supplanted by current-account credit it has been converted from credit upon merchandise into credit for persons and enterprises, thus of course making its mobilisation at the Bank of Issue more difficult.

For the protracted process of production in agriculture with its slow accumulation of capital only cheap credit can pay. In return, the credit must be better secured.

Agriculture was the first to be affected by the crisis, its capacity to pay its way being undermined, and, later, industry and commerce were affected. In addition to efforts to secure a return of paying conditions in all branches of production, the most particular care was devoted to the question of a reduction of rates of interest. Agriculture was granted a moratorium which was intended to be a temporary measure, but it was only raised in connection with the application of certain alleviations in the paying off of long-term and short-term claims. Whereas industry and commerce, in the case of debt that produced no return had the opportunity of arriving at a settlement in court, such an opportunity was practically non-existent for agriculture. Therefore, as a provisional measure, there was passed the law relating to agricultural arrangements with creditors by which even mortgage creditors are effected unless they are covered up to 80% of the assessed value of the real property.

Facilities in respect of the discount of commercial bills, a liberal grant of agricultural seasonal credits, especially seasonal credits on cereals, a benevolent discount system for farmers' long-term bills in Slovakia and Carpathian Ruthenia, and above all, of course, a substantial reduction in rates of interest—these were the notable ways in which the National Bank contributed towards overcoming the economic crisis as it affected agriculture.

The development of our money market shows that it is an important task in the sphere of credit policy, judged from the angle of the territorial composition of the Czechoslovak State, to bridge over the great differences which exist between the Western and the Eastern portions of the Republic in credit matters, for these differences act as a brake upon both economic and political consolidation. The differences are reflected in the credit practice of the National Bank, for they compel the Bank in several directions to be more accommodating in the Eastern parts of the country than in the Western.

While the Western parts of the Republic possess not only a system of ordinary banking credit but also a system of popular banking credit and a system of mortgage emission credit, Slovakia and Carpathian Ruthenia up to the close of the War had only a system of ordinary banks, and popular credit institutions or emission credit did not exist. After the War credit requirements in Slovakia and Carpathian Ruthenia were met in part by the undue number of joint-stock banks and in part by the absolutely inadequate network of cooperative credit societies.

The joint-stock banks were smallish institutions, often of a family character, lacking adequate capital of their own, compared with banks abroad. These banks had generally no more than a local importance, occupied themselves mainly with the accumulation of deposits and with the granting of bill credit mostly of agricultural character and with mortgage loans, took the place of popular banking institutions, and by their considerable overhead expenses increased the cost of popular credit.

After the War the process of rehabilitation first affected banking, in which a concentration was carried out. A considerable rôle in this was played, too, by banks in Bohemia and Moravia-Silesia, which on the one hand, founded branches in Slovakia, and on the other hand drew Slovak institutions into their sphere of interest, and in some cases liquidated them altogether.

It was only after the War that popular banking was put on a

systematic footing. The agricultural and traders' cooperative credit societies multiplied several times over. Communal savings banks were founded, and the Bohemian savings banks established branches. The farmers' mutual savings associations which play the rôle of credit societies in Bohemia are a notable addition to the system of popular banking institutions.

Conditions in Slovakia and Carpathian Ruthenia are substantially improving. The normative adjustment of rates of interest eliminated the main opportunity for outbidding for deposits among the banking institutions, the rates were reduced, the disparity as against the West of the country reduced, and by the prohibition to establish new banking institutions (Act of Parliament No. 44 of the year 1933, Government Decree No. 261 of the year 1934 and Decree No. 303 of 1936, effective to the 31st December 1938), a check was put upon the attempts to found new banking institutions without due regard to economic considerations. By means of concentration and of collaboration with the rest of the banking world, banks are growing up capable of fulfilling all the higher economic tasks, especially the financing of industry and commerce, for which the primary conditions have been provided by increased economic activities, while the function of popular credit institutions has been taken over by the growing mutual credit associations of the farmers, the credit cooperative societies and the savings banks which must by degrees become instruments for a further cheapening of credit. By introducing order into the land registers the foundation is being laid for well-secured long-term credit. The demand for long-term credit is also satisfied through the medium of the Zemská Bank and the Bohemian Mortgage Bank, both of which have placed the greater part of the Slovak issues in the Western part of the Republic. Gradually the disparity between demand and supply is being ameliorated by the improvement in the economic situation. A beneficial effect is being exercised by the improved grain prices ensured by the Grain Monopoly. By the introduction of grain warrants as an instrument of short-term seasonal credit capable of rediscount at the National Bank, a considerable amount of capital is mobilised soon after the harvest at a reasonable rate of interest. Industrial and commercial activities have increased as have also public works of productive investment character in Western and Central Slovakia.

The National Bank fully respects the special credit requirements of Slovakia and Carpathian Ruthenia. The National Bank discounts, of course, in the first place, commercial material which is increas-

ing as economic activity in the industries and in trade improves. In addition to that, Slovakia and Carpathian Ruthenia participate to a very notable extent in seasonal credits, in the discount of grain warrants and grain bills, in seasonal credits for farmers' purchases from the agricultural cooperative societies, while in places if not in their total extent, the special seasonal credits such as the wingrowers credits have their importance for Western Slovakia and for Carpathian Ruthenia.

More than that, however, the National Bank discounts in Slovakia and Carpathian Ruthenia the farmers' long-term discount material would not on any account be discounted in Bohemia or Moravia-Silesia. This material has declined compared with the years 1931, 1932, 1933 and 1934, not because the National Bank has restricted its discount operations but because, on the one hand, the material has been paid off (conversion of debt into other than bill form) and on the other hand because the farmers' bill material is now being taken over by the popular banking institutions, from which it comes to the National Bank in smaller proportions.

An extensive network of banking concerns make credit available even in places which are far away from the bigger banks, they do not everywhere regard profitmaking as the first consideration, and finally they secure even the small savings that are made in the rural districts.

It was an undoubted advantage of the many-sided character of Czechoslovak banking that the economic crisis affected the banking system in less catastrophic fashion than in numbers of other countries. The most sensitive to the crisis were the joint-stock banks in Bohemia and Moravia which are most closely connected with industrial production and commerce. The financial crisis into which the economic crisis developed in the year 1931 cut down banking activities by reason of a sharp deflation, the most intense period of which occurred in the years 1933 and 1934.

The quarterly balances of the leading joint-stock banks, published regularly by the National Bank, showed in the 1930-1933 period a striking contraction of credit business. Whereas at the close of September 1930 the stocks of bills and the item of debtors was altogether 22.4 milliard Kč, the figure had dropped by the end of September 1933 to 15.7 milliards, that is, by some 6¼ milliards, or by one-third. These returns as of the end of September are more reliable than others for a comparison of the balance-sheet items, for they are not influenced by the "window-dressing" which usually



occurs at the end of the year. In the years 1934 and 1935, too, the credit items of the banks declined to 15.55 milliard Kč, but this measure of decline was insignificant compared with the sharpness of the drop in the preceding three years. It was not until the 1935-1936 period that an upward trend in credit business set in, when there was an improvement of some  $\frac{1}{4}$  milliard.

If we take into account the stocks of securities held by the banks and their participation in undertakings of various kinds, the total credit engagements of the banks submitting quarterly balance-sheets amounted at the end of September 1930 to 26.4 milliard Kč, at the end of September 1933 to no more than 19.7 milliards, while a year later the lowest volume of credit registered in the crisis was reached, namely 19.6 milliards. By the close of the third quarter of 1936, however, the volume of this credit rose again, in harmony with the general economy recovery, to the level of 20.1 milliards.

These bank statistics are not an altogether exact picture of the general credit tendencies. The bulk of credit business done by the commercial banks is of short-term character and provides enterprise with working capital. The crisis reduced the requirements in working capital, and indeed set free the own resources of the undertakings which found employment when conditions were flourishing. The total volume of credit employed in the country's economic system did not decline by a long way to the same extent. The credit stagnation observed by the banks in the years 1934 and 1935 was also no feature of general application. In the sphere of agricultural credit as also in building and mortgage credit this period saw an increase in the volume, while industrial and commercial undertakings made more plentiful use of their own funds which during the crisis had been temporarily idle, having often lain on deposit outside the banks. There was an extension of the so-called "self-financing" of industry which somewhat affected the importance of the banks as regards their participation in economic activities as a whole.

There can be no doubt that the contraction in bank credit in the first three years of the financial crisis had its automatic causes in the decline in the activities of the most varied branches of production, while a cause was also to be seen in the pressure exerted by the commercial banks on their debtors to make them pay off their advances and thus increase the liquidity of the banks and reduce their risks as creditors. The banks were of course often led to pursue this policy of credit contraction by their own vital interests, for parallel with their transactions on the credit side of their balance-sheets, business

on the liabilities side also fell away, particularly the items of deposits and creditors dropped in emphatic manner. Savings deposits declined from 9.5 to 8.2 milliard Kč, and the item of creditors from 16 milliards to a mere 11.4. In other words, the savings and other deposits together with the obligations of the banks dropped altogether from 25.5 milliard to 19.5 milliards in the short space of three years. In the case of the joint-stock banks the decline in deposits was more rapid and more conspicuous than in the other groups of banking institutions, for the joint-stock banks act for many banking institutions of smaller character as places where the latter can deposit a portion of the deposits they have themselves received as a liquid reserve carrying a certain rate of interest.

An independent factor in the reduction of the liability items of the banks was foreign countries which, after the difficulties which arose in the Austrian and German banking worlds in 1931 hurriedly withdrew their credits from Central Europe. In the eighteen months period from the middle of 1931 to the close of 1932 the country lost foreign capital to the equivalent of some  $2\frac{1}{2}$  milliard Kč. This precipitate decline in foreign capital was not made good, and only to a very slight extent did the home banks resort to the Bank of Issue, which by an increase in its rediscount improved their position for the moment.

In addition to that, the capital market was appreciably affected by the eflux of working capital through export to countries where difficulties prevailed in respect of payments, Czechoslovak export assets abroad maintained a level of some 3 milliard Kč, and more than 2 milliards were due from the countries with clearing arrangements. The extension of the periods of payment in the slow-working clearing systems deprived the Czechoslovak exporters and banks of funds which could otherwise have been put to useful purposes in our own money market.

These reasons, together with the stagnation in the accumulation of deposits were calculated to menace in grave fashion the equilibrium between the supply of and demand for credit. Only the fact that the stagnation in economic activities and decline in export production called for much less capital and that calls for credit came practically only from agriculture and from the public hand prevented more serious stringency in the money market. In the capital market, however, the unfavourable consequences plainly manifested themselves.

The stagnation, lack of confidence, absence of enterprise, and also the shortage of free funds substantially changed after the devaluation carried out in 1934. As described elsewhere a number of measures of organisatory nature were carried out in the money market which drew considerable benefit from them. In the economic life of the country itself there also grew up automatically many forces which reacted favourably upon conditions in the money market.

In the sector of organisation the biggest success was the consolidation of Government loans and the establishment of the Czechoslovak Rediscount and Lombard Institute. The liquidity of the banks, notably that of the popular banking institutions improved. By the introduction of stock exchange advances on securities the utilisation of short-term media was better organised, and at the same time transactions in investment stock received support. The introduction of contractors' warrants improved the situation of the undertakings carrying out Government contracts. The guarantees of the Ministry of Finance in respect of export credits in pursuance of the Finance Act facilitated the grant of credit to important producers. The suspension of executions in favour of farmers and the unemployed and the adjustment of agricultural arrangements for the benefit of creditors alleviated the position of several categories of debtors.

Systematic attention to the interests of the money market had beneficial effects and consolidated the conditions to such an extent that at the end of 1935 it was possible to consider the question of a general reduction of rates of interest both for private debtors and for public bodies. Confidence in the banks and in general stability increased. The recovery in the economic situation checked the shrinking of savings, and new savings now began to be made once more. The liquidity of the banking institutions increased relatively, mainly by reason of the fact that the less danger of deposits being withdrawn made it possible to maintain a lower level of ready funds. At the same time liquidity increased absolutely, for the improvement in the prices of investment stock and treasury bills enabled the banks to sell or to borrow on these securities in case of need. The banking institutions became increasingly mobile, and many of them secured considerable profits from the improvement in the prices of securities.

The increasingly pulsating economic activity also improved the volume of banking business. An optimistic tendency on the stock exchange gave an opportunity of better employment of the entire banking apparatus, to more lucrative utilisation of ready capital,

and produced an all-round alleviation in the mobility of the banks. Deposits again accumulated, being made especially in agricultural circles which had been favourably influenced by the adjustment of agricultural prices, and fresh savings accrued to the banking institutions. In the case of those commercial banks alone the quarterly balance-sheets of which are published, there was an increase in book deposits between the Autumn of 1934 and the Autumn of 1935 of nearly  $\frac{1}{2}$  a milliard Kč, in the case of the savings banks an increase of some  $\frac{3}{4}$  milliards, and in the case of the citizens and district agricultural credit and loan societies an increase of some 330 million Kč.

The new creation of capital and increase in free capital which resulted from the consolidation of the market and the improved mobility provided the money market with more funds than private enterprise needed. The "self-financing" of the undertakings already referred to resulted in the money market being spared from feeling the whole weight of the financial requirements of the industries, while the banking institutions had to meet a less demand for credit on the part of the industries than corresponded to the extent by which industrial production had improved. The abnormal conditions of the time, however, increased the public call for credit, for the receipts of the public bodies, reduced as they were by the crisis, were inadequate to meet such expenditure as it was impossible to avoid. Thus the State in particular was compelled to appeal to the money market. In the years 1930 to 1934 the State increased its debts by more than 7 milliard Kč, of which 2 milliards came from abroad; in the year 1935 the national debt grew by some 1,800 million Kč, and in 1936 by some 5,800 millions, apart from the increased obligations in foreign currencies as a consequence of the devaluation. A considerable portion of the newly contracted State debt consists of internal debt.

The lower level of rates of interest achieved from the 1st of January 1936 reduced the burden of the service of the national debt to an average of about  $4\frac{1}{2}\%$ . The comprehensive unification of the various issues of State loans to a few uniform types makes for far-reaching economy, and has also produced advantages for business in securities, advantages which will not remain without effect upon the technical position of Government stock. Despite the increase in the national debt, conditions in the public loans market are better and more ordered. This applies to credit conditions generally. While the volume of credit is greater than it was in the years of profound depression credit terms are more favourable, and at the rates now

obtaining and standardised it is also possible, to secure without difficulty credit to any practical amount demanded. The success of the National Defence Loan and the conversion of domestic holdings of the Czechoslovak External Loan of the year 1922 are eloquent evidences for 1936 of both the resilience of the Czechoslovak money market and of our State credit.

None the less our banking system is still faced with the task of solving a number of problems that arose partly during the years of crisis or were in part previously existent. Great changes in the economic aspect of countries with which Czechoslovakia conducts a brisk trade led to structural alterations in agriculture, in industry and in mutual trade. The close connection of the banking institutions with industrial and other production makes it essential also for the banking system to accommodate itself to these structural shifts. It will therefore be necessary to settle the question of the losses accruing to several banking institutions at such a time, it will also be necessary to go forward in the process of consolidation of the banks, and to see to it that the place of a large number of institutions that have no great resources shall be taken by well situated banks, and finally it will be essential for Czechoslovak banking to devote increased attention to banking contacts with abroad and thus assist the export branches of the country's production in gaining a footing in the important markets which are reconstituting themselves, especially overseas.

#### THE REGISTER OF COMMERCIAL CREDITS.

The law has laid upon the National Bank, in the interests of a well-ordered credit system, the duty of establishing a register of commercial credits, the object of which would be to check as far as possible the misuse of credits. The positive care of the credit market which this measure entrusts to the National Bank represents a means of protection for the creditor institutions, making it impossible for their debtors to secure, without the knowledge of these institutions, credit from several sources simultaneously. It is not the task of the National Bank to enquire into the debtors' standing and credit, nor has the Bank any power to compel the debtors or those who propose to grant credit to an applicant to pay regard to information which the Bank may provide them concerning the total indebtedness and number of creditors of the debtor. The opportunity which the National Bank is given of preventing the abuse of credit is limited by the decision of the creditor institution whether it will or will not pay

regard to the information supplied, or whether it wants to have information supplied it at all.

The Bank of Issue Act empowered the National Bank to demand, for the purpose of registration, reports and documents from anyone, but it was only the Bank Act of the 21st April 1932 (No. 54 in the Collection of Laws and Decrees) that, in addition to laying down the main principles of the future register, provided penalties (both fines and imprisonment) for persons who refused to accede to the request for reports and documents, or who presented incomplete or false information. It was on this basis that Government Decree of the 24th April 1936 (No. 109 in the Collection of Laws and Decrees) was issued laying down detailed provisions for the establishment of a register by the National Bank. The register was inaugurated on the 30th June 1936.

The following in rough outline are the principles of the new institution, drafted by the National Bank from the Spring of the year 1934 in conjunction with the Advisory Board in banking matters.

Creditors institutions, that is, all banking institutions and undertakings, public and private insurance companies and orphans' funds must report the names of debtors to whom they have advanced a credit of at least Kč 100,000, together with the names of persons who stand as sureties for credits of at least that amount. The register will later also apply to credits secured from abroad which, however, for the present have not been included in the register. It does not apply to mortgage credits evidence of which is apparent from the entries in the land registers or, in view of their speculative character to contango credits. In principle a debtor is that physical or juridical person who carries on some domestic enterprise (exclusive of State, Provincial and other public corporations, and exclusive of creditors institutions) so that credits granted by the banking institutions to one another are not included.

In cases in which the National Bank ascertains that the debtor or joint debtor (surety) is reported simultaneously by at least two creditors' institutions, it enquires of the creditors as to the amount of the credits and informs each of the creditors concerned of the total amount of the credits and the number of creditors, and also informs each of the creditors' institutions who justify their interest in the information on any ground, especially on the ground that they propose to grant credit to the debtor themselves.

It is the duty of the creditors for the future in such ascertained

cases to report every half-year the status of credits granted and paid, and in the interval also any changes in the amount of the credits granted. The credits reported are to be classified into credits on current account, lombard credits, discount and guaranty credits. A request for information is answered by the National Bank in justified cases by a statement which thus gives: the number of creditors, the amount of the credits paid out within the last half-year term, the amount of credit advanced on current account and by advances of securities according to the latest reported change, and in addition to that, the latest quarterly statement of discount and guaranty obligations.

The institution is so far in the stage of preparatory organisation and of the first accumulation of registration material. The actual service of information has not yet commenced. None the less the interest of the creditors' institutions has manifested itself in numerous enquiries and requests for information, including cases not covered by the scheme in its present form. The creditors' institutions in Slovakia and Carpathian Ruthenia ask that the limit of credits subject to registration shall be reduced, that the register should include also lower amounts of credit, as the present limit excludes the smaller institutes and the popular banking institutions generally from the benefits of the register, the bulk of their credit transactions not reaching the present limit.

The National Bank will conduct the service of credit registration free of charge in the interests of the creditors institutions without any benefit for itself beyond those which accrue to every other creditor.

A statistical elaboration of the outcome of the registration in the course of several half-yearly periods will, however, be an important aid to the credit policy of the National Bank, if it proves possible to follow the fluctuation in the number of credit transactions and of debtors with debts in more than one place, their distribution according to territorial areas and according to the individual sectors of industrial and agricultural production and of trade. The returns showing the number of increases and reductions of credits will also be interesting as an immediate and sensitive index of the tendency displayed by the development of credit requirements. The results of the registration will, however, also be an aid in judging of the development of the transactions of the various banking institutions and of their different categories from the angle of the distribution

of credit. Thanks to the classification of credit according to the form in which it is granted, the National Bank will also secure a survey in particular of the extent of the appearance of bills as a necessary instrument of commercial credit.

At the same time it is necessary to point out that the facts of any concrete case of credit, that is, the name of the creditor, of the debtor, and the amount of the credit granted will in every case remain a secret with the officials entrusted with the work of registration in an independent section, who are prohibited under penalty from revealing these facts to other officials of the Bank, so that neither creditors nor debtors have any reason to fear any violation of official secrets. The care with which the registration is carried out also answers to this measure of the confidential character of the material. Particular attention will be devoted to guarantees that the creditors' institution should not be able, under the pretext of interest in the matter, to lure information from the National Bank. In this connection, as in the case of supervision of the accuracy of the reports, the National Bank has the right to convince itself at any time of the accuracy of the statements made to it by inspection of the books and documents kept in the business premises of the creditors.

The establishment of a register of commercial credits has taken place at a moment when the volume of credits granted by the banking institutions had just reached its lowest level, so that the new institution will be prepared to fulfil its mission in a period of advance which is expected and which it is designed to meet. Where the creditors' institutions demand repayment of credits, and new credits are granted only on the condition of guarantees of every kind, registration is not essential. As, soon, however, as this liquidation pressure passes, the register will prove a protection for creditors institutions against the granting of unsound and risky credits, while for the debtor it will be a lesson teaching him in his own interests not to hide from a creditor the existence, or the amount, of other obligations, since, when there is less risk for creditors, the terms for credit will in time develop more favourably for a debtor.

The National Bank secures, in a register that will function with precision and promptitude, an aid that will facilitate for the Bank a survey of the distribution and requirements of credit, and will also provide it with a basis on which, by extending the scope of registration or by other means, it can, in the interests of an ordered system of credit and within the duties imposed upon it by the Bank of Issue Act, prevent the abuse of credit.



## ECONOMIC CONDITIONS AND CREDIT (1926-1930).

Although the duty was imposed upon the National Bank of maintaining the stability of the currency, or reorganising and dominating the money and capital markets, the great bulk of the circulation remained, owing to the influence of the State-note debt, wholly independent of the Bank of Issue—a fact which at the outset makes its task a very difficult one. This manifested itself mainly in the fact that the official discount and borrowing rates were no regulator of the credit rates charged by the banking institutions. If the Bank of Issue raised its rates, the banking institutions accommodated their rates at once and to the full, but when the Bank reduced its rates, the banking institutions followed its example only very slowly and according to the measure of their own interests.

The National Bank in the first years of its existence was not much sought as a source of credit, mainly for the reason that the bank-note circulation, which for the most part corresponded to the then state of the State-note debt, was relatively large in proportion to the extent of our economic activities, a circumstance that was clearly reflected in the cheque accounts. Another reason was that the bank-notes which automatically came in from settled transactions for the most part returned to circulation for purchased foreign assets.

At the moment when the National Bank commenced its activities, the difficulties which since the year 1922 had been caused by the high level of the currency and by the consequent process of accommodating our economic conditions and banking to that level, had already been overcome. Industrial production suffered from an abnormal burden dating from that time, including heavy taxation, agriculture lacked protection for the home market, the money market was exhausted, and suffered in particular from the burden represented by the series of State loans that had been issued, commencing directly after the establishment of the Republic. Economic consolidation, from the financial aspect, from the year 1926 onwards, issued from State policy. The State alleviated the situation of industrial production by means of taxation reform, and protected agriculture by means of new duties on grain and live-stock. Economic system became sounder. The State, in the hope of improved revenues, was able to cease drawing funds from the money market and the quotations of Government stock tended upwards. Foreign trade

brought in exchange, and bank-notes in return for it, and thus strengthened the money market already supported by the State. New capital began to be created and accumulated, and the conditions began to take shape for a reduction of rates of interest.

In the sphere of economic and credit development the year 1926 was characterised by stability of the currency, increasing confidence in the currency both at home and abroad, comparatively good employment, relative stability of wages and prices, a favourable balance of trade and a favourable balance of payments. To this balance the influx of foreign capital contributed, for which favourable investment was sought in Czechoslovakia. Through the resultant purchases of foreign assets further bank-notes from the Bank of Issue came into circulation. The creation of new capital manifested itself in an increase of deposits in all categories of banking institutions, the pronounced liquidity of the money market was strengthened by the fact that the State, in balancing its Budget and its accounts, for the second year in succession did not need to make any calls on the money market but even paid off a considerable portion of its treasury bills. All this laid the foundations for a reduction of the official rates of interest, and so, on the 27th October 1926, the National Bank reduced its rates by  $1\frac{1}{2}\%$ —the discount rate to  $5\frac{1}{2}\%$ , and the rates for advances to  $6\frac{1}{2}\%$  and  $7\%$ .

Of the transactions taken over by the National Bank to the extent of Kč 790,292,000, more than 300 million Kč of discounted securities was already paid off in the first week of 1926. As the other securities were successively paid, the advances by the National Bank on the 1st April 1926 when the Bank actually commenced operations represented no more than Kč 280,947,000, and this sum steadily—though in somewhat irregular fashion caused by the increased requirements at the end of the months and of the quarters as well as during the Autumn—declined to the 15th of February 1928 when it reached the lowest level ever recorded during the independent existence of the Bank of Issue, namely, a mere Kč 66,973,000.

At the close of the year 1926 the return of the National Bank showed credit business to the amount of Kč 261,133,000. The transactions of the National Bank on its own account dropped by Kč 529,159,000. Transactions not taken over on own account but conducted for the Bank Office of the Ministry of Finance in liquidation dropped by Kč 167,392,000. The State-note debt declined by Kč 272,615,000. Thus a total amount of Kč 969,166,000 in bank-notes came in from circulation for the encashed credits. On the other hand

bank-notes were put into circulation for the assets purchased abroad to the amount of Kč 823,753,000. The bank-note circulation should thus have declined by Kč 145,413,000, but as a matter of fact fell by Kč 205,757,000 to Kč 8,202,594,000. The difference was accounted for by the other balance-sheet items.

In the first four months of the year the bank-note circulation declined. This is a usual feature, for the need for media of payment is also lowest in Spring, so that on the 23rd April 1926 the bank return showed the lowest level of circulation, namely, Kč 6,401,734,000. The movement of the circulation was graduated; in the first three weeks of each month there was always a return flow of bank-notes which was again called upon at the end-of-the-month settlements—to some extent for advances but mainly through the cheque accounts.

The movement in cheque accounts was just the opposite of that in the bank-note circulation, the two being mutually dependent upon each other, an increase in the status of the one being accompanied by approximately the like decline in the other—a natural feature in countries where the Bank of Issue does not dominate the bank-note circulation by its transactions. In the first three months of each month the volume of the cheque accounts rose, to fall again in considerable manner at the end of the month. The highest level of cheque account balances was reached on the 23rd November 1926 with the figure of Kč 1,782,940.

The sum total of the items of bank-note circulation and cheque account balances, as of 1st January 1926 was Kč 9,149,988,000, which constitutes the basis for calculating the cover of the circulation. If we follow this in its development throughout the year it shows, in contra-distinction to the sharply vacillating lines of each item separately, a steady joint line of development which, without any sharp movements of note, tended consistently downwards till the level of Kč 7,801,315,000 was reached on 15th June 1926. From that date, as a consequence of growing requirements in Summer (financing of the harvests) and in Autumn, it rose again steadily, and at the end of 1926 once more attained the level of Kč 9,084,343,000. Compared with the Kč 9,149,988,000 registered twelve months previously that meant a decline of no more than Kč 65,645,000, or not even  $\frac{3}{4}\%$  of the total. In other words the bank-note circulation and cheque account balances together practically once again balanced one another. The cause of the decline in the first half of the year was mainly the payment of the transactions taken over by the National Bank as

well as those not taken over, while the cause of the advance in the second half was the purchase of claims abroad.

The favourable trend in the money market which had caused the National Bank to reduce its rates of interest in October 1926 continued into 1927, and so the Bank was able on the 8th of March 1927 to reduce its rates by a further  $1\frac{1}{2}\%$ —the discount rate to 5%, and the rates for advances to 6% and  $6\frac{1}{2}\%$ . These rates remained in force to the 26th May 1930.

Throughout the whole of 1927 economic conditions showed a more favourable trend than in the preceding year. This was due not only to substantial advance in the consolidation of conditions at home and in the development of the money market, but also to improved conditions in the more important of Czechoslovakia's foreign markets, mainly by elimination of the oscillation of exchange rates, a moderation of price changes, and improved credit conditions. As a result, industrial output increased both for export trade and for home consumption, and as the harvest also proved a good one, the standard of living of the broad masses improved. Foreign trade again showed a very favourable balance, the balance of payments was likewise favourable, and the rising tourist traffic was the most extensive since the year 1913. In view of this we were able to a large extent to repatriate Czechoslovak securities, and to free exchange business largely from restrictions. By a reform of the direct taxation system, the financial authorities improved the capacity of our industrial and other production to meet competition, and facilitated the creation of capital.

In the year 1928 the period of prosperity with us, as throughout the world, reached its culminating point, but symptoms already began to be observable of a turn in the tide. Our industries were already compelled to face increasing obstacles standing in the way of export trade; the linen industry was particularly hard hit, and the cotton, sugar and malt industries also suffered to some extent. Employment on the whole was on a higher level than in the preceding year, thanks partly to the intensive building movement which was fostered by the facilities introduced by law. The demand for long-term credit was considerably in excess of the supply, and a portion of the monies that failed to find suitable investment sought temporary placement in the capital market, mostly as advances for building purposes to be paid off later out of mortgage loans. A portion of the money also went abroad for more profitable investment, mainly for operations on the Bourses where the prospects for speculation, espe-

cially in New York, seemed to be very favourable. As considerable calls were also made on the money market by production, the liquidity of the market was not so favourable as in the preceding year, but the level of rates of interest remained unchanged.

The efflux of capital to other countries was facilitated by the lifting of exchange restrictions at that time. Coming as it did just at the moment when a break was occurring in the boom conditions, this measure resulted in an appreciable impoverishment of our money market, and as time went on led to pressure upon the level of rates of interest, whereas a low rate of interest at the inception of the world crisis could have assisted our branches of production, particularly the export branches, to offset the other unfavourable items of calculation. The National Bank at this time devoted full attention to the question of reducing the level of rates of interest, and contributed to this end by its own discount policy as well as by the measures taken in connection with the Banking Council.

The outflow of capital over the frontiers after the lifting of exchange control manifested itself, of course, in specially appreciable fashion later, in the year 1931.

Savings deposits in the popular banking institutions increased in the year 1928, while the book deposits in the ordinary banks had maintained the same level for the past two-and-a-half years. The banks therefore increased their rate of interest on deposit accounts by  $1\frac{1}{2}\%$  without at the same time increasing the debit rates. This lessened, it is true, the margin between the debit and credit rates, but the disparity still continued much greater than it had been before the War. The cause of this big disparity was, on the one hand, the increased credit risk, but mainly the high overhead expenses of the banks, caused partly by the large number of banks, but more so by the excessive number of their branches. The unnecessarily high expenses of management of the banks were reflected in high debit rates of interest which in their turn adversely affected all enterprise, and increased production costs.

Economic activities in 1929 were still more intensive, but they no longer manifested the upward movement of the preceding years. In the last few months of the year they fell away owing to a decline in the world prices of raw materials and grain, and also as a result of the deroute in the exaggerated speculation on the New York stock exchange in October that year. The volume of foreign trade declined by merely 0.4%, but the ratio of exports to imports altered, the latter

growing and the former declining, so that the favourable balance of trade, which in the preceding year had exceeded 2,000 million Kč, now fell below 500 millions. There were declines in the exports of sugar, timber, textiles barley, malt and fruit. Employment was maintained still in the main by the building movement which though substantially less brisk than in 1928 was fairly intense, and gave rise to considerable demands for long-term credit which could only be partially satisfied on slightly harder terms. Agriculture was already suffering from a price and marketing crisis.

Difficulties for our export trade from the angle of commercial policy were already on the increase in 1930, for the whole economic system throughout the world was finding itself in a state of crisis. Our foreign trade declined, but imports more so than exports; in particular the exports of finished goods for a long time maintained their level, and even favourable prices were secured, since the prices of manufactures decline later and more slowly than those of raw materials.

The downward trend in economic activities, however, was now general. In the early months of 1930 it was perhaps not so pronounced, but it grew in intensity by the middle of the year for domestic reasons not only because of unfavourable conditions in agriculture but also—and this mainly—because of a setback in building activities. Unemployment rose apace, and the monies which became free in the sphere of production both because of less employment and because of declining prices, found their way to the money market.

The National Bank in an endeavour to ameliorate conditions for production proceeded, on the 26th May 1930, to reduce its rates of interest by  $\frac{1}{2}\%$ , fixing the discount rate at  $4\frac{1}{2}\%$  and the rates for advances at  $5\frac{1}{2}\%$  and  $6\%$ , while a month later, on the 25th of June 1930 it reduced the discount rate (and this time the discount rate alone) to  $4\%$ . The borrowing rates were left unchanged out of consideration for investment stock. The deterioration in employment, the fall in prices, and the uncertainty in the international situation were the causes why the quotations of shares on the stock exchange were falling, and why the public were selling their dividend securities and purchasing investment stock, the prices of which consequently rose and their yield declined, though it still remained above the rates of interest for advances. There was thus a reasonable fear that speculation would exploit this disparity and would profit on the difference by securing advances on these securities from the Bank on an increasing scale. When this danger passed the National

Bank also reduced the rates for advances, doing so by  $\frac{1}{2}\%$  on the 26th January 1931. From that date, then, there was in force a discount rate of 4%, and borrowing rates of 5% and  $5\frac{1}{2}\%$ . These rates were the lowest which had obtained since the country secured its independence.

The reduction of interest rates by the National Bank to a total extent of 1% contributed at least partially to a general reduction of the burden of interest. The banks in Bohemia and in Moravia-Silesia reduced their debit rates by  $\frac{1}{2}\%$  from the 1st July 1930, and those in Slovakia and Carpathian Ruthenia from the 1st September 1930.

The liquidity of the money market which lasted down to the year 1930 did not manifest itself uniformly in the case of all the banking institutions. Whereas the big and mobile banks possessed, besides other ready funds, tens and hundreds of millions of cheque account balances, and had also cheap foreign credits at their disposal, the weaker and less liquid banks were frequently lacking funds. The cheapest working capital consisted of deposits, and therefore the weak banking institutions concentrated upon securing deposits, the newly established branch offices playing the main rôle in this hunt for deposits, and many of them being mere collecting offices for deposits. The hunt was not merely for deposits straight from the savers but also for the free surplus funds of the popular banking institutions. In this way rates of interest were forced up, and the popular banking institutions were conceded other advantages in addition to favourable rates of interest. In the acquisition of these deposits proper methods of competition were not always observed, and the Central Arbitration Organ for cases of unfair competition in financial and banking matters had to occupy itself with those methods.

In order to avoid these excesses both in competition for deposits and in the matter of terms of interest, regional agreements were made among the banking institutions, and these proved very effective. In Slovakia and Carpathian Ruthenia the great bulk of the banks adhered to an agreement concerning rates of interest concluded at the close of 1930. The Central Arbitration Organ did not cease to give its attention to an adjustment of rates of interest, and it was from that body that the proposal came to make a normative regulation of these problems. Such a normative regulation was achieved by the Government Orders of 12th and 28th April 1933 (Nos. 59 and 70) and Government Decree of the 29th May 1933 (No. 85 in

the Collection of Laws and Decrees), replaced later by Government Decree of the 21st December 1935 (No. 238 in the Collection of Laws and Decrees).

### ECONOMIC CONDITIONS AND CREDIT (1931-1933).

The decided deterioration in economic activities in the last few months of 1930 was checked in the Spring months of 1931, and in some branches of production there was even a slight improvement. This favourable trend, however, was soon sharply interrupted by the deterioration in the international situation from both the angle of politics and of credit.

Distrust was evoked by political events in Germany, and aggravated by the negotiations for a German-Austrian customs union, with the consequence that short-term credits were quickly withdrawn from Germany. After the collapse of the Austrian Creditanstalt in Vienna, this distrust was extended in very uncritical fashion to all the countries of Central Europe, regardless of whether they were maintaining political and economic order or not, and therefore foreign credits were also recalled from Czechoslovakia. When, in the middle of July, the Danatbank collapsed in Germany, and the financial world realised that England was deeply engaged in Germany—the greatest debtor country in Europe—and that her investments and credits there were menaced, the world began to recall its capital also from England. All the recalled deposits were promptly paid.

English currency even before the War had been the currency of world trade, and after the War, as soon as England had stabilised her exchange, the great bulk of world trade was again transacted in sterling, London once more functioned as the main centre of world-commerce transactions, and its money market as the world's greatest centre for the investment of short-term funds. England thus became debtor to the countries that invested their monies on short-term, and creditor of the countries that borrowed these monies, particularly Germany, Austria, Hungary and her own dominions. To Germany, Austria and Hungary, it is true, England granted only short-term loans, but these became "frozen" and it was impossible to recall them. To her colonies England advanced investment credits, and now could not even give notice for repayment. She endeavoured, it is true, to fulfil her obligations as a creditor, but the pressure was too strong, and despite the aid rendered her by France and the United States in the form of loans to a total amount of £ 130,000,000, she



could not withstand the pressure. Her defence was made all the more difficult by the fact that for reasons of prestige she had, after the War, stabilised her currency at too high a level, namely on the pre-War level. On the 21st of September 1931, therefore, England suspended the convertibility of her bank-notes into gold, and allowed the exchange rate of the Pound sterling to move freely on a level considerably below gold parity.

After an event so surprising and so far-reaching, a disintegration of the international credit system followed, no person trusted another, international capital took refuge partly in the United States and partly in France, Switzerland and Holland where it was condemned to idleness, while a shortage of capital in other countries enforced a contraction of credit.

The influence of these international events was reflected in the case of the National Bank of Czechoslovakia as follows:

National Bank of Czechoslovakia. Data (in thousands Kč):

	Credit Trans- actions	Precious Metal & Assets abroad	Circulation & Cheque Account Balances
1. January 1931 . . .	525,245	4,049,001	8,393,457
31. July 1931 . . .	843,950	3,164,930	7,309,497
23. September 1931 .	1,024,809	2,792,244	6,843,413
31. December 1931 .	2,315,551	2,587,561	8,039,795
Difference in the course of the year	+1,790,306	— 1,461,440	— 353,662

We repaid more than 2 milliard Kč to other countries, and our export claims to approximately the same amount became frozen abroad. In addition to that, our bank-notes were in demand in the neighbouring countries where they were hoarded.

In repaying foreign credits the National Bank was compelled to draw on her stocks of exchange to the extent of about 1,500 million Kč, while the banks paid out more than 600 million Kč out of their balances abroad. The banks first repaid the credits from their own cheque account balances, which rapidly sank, and then helped themselves out by means of credit from the National Bank, which freely placed it at their disposal, so that all obligations abroad should be duly met. In this way the credit business of the National Bank rose by 1,790 million Kč. The bank-notes put into circulation by means of credit replaced those which on the sale of exchange had returned

from circulation to the Bank of Issue, so that the bank-note circulation (inclusive of cheque accounts) declined in the course of the year merely by 354 million Kč.

The National Bank reacted to these events in that, in order to check the eflux of capital abroad, it proceeded on the 5th August 1931 to raise its rates of interest by 1%—the discount rate to 5%, and the rates for advances to 6% and 6½%. In September, after the abandonment of the gold standard by sterling, the Bank had to take further protective measures, and on the 23rd September 1931 raised its discount rate by 1½% to 6½%, and its rates for advances by 1% to 7 and 7½%. As early as December, so soon as the pressure upon the economic life of the country relaxed somewhat, the National Bank reduced its discount rate—on 22nd December 1931—by ½% to 6%, while the borrowing rates remained unchanged at 7 and 7½%.

In addition to increasing the credit rates the National Bank was compelled, for the protection of the currency, to reintroduce exchange restrictions which, as conditions worsened in the neighbouring countries, had gradually to be supplemented and tightened up. At the same time it was laid down as a principle that all legitimate payments of a commercial character to foreign countries should be always permitted, and this principle has been consistently adhered to.

After the calling in of short-term credits from abroad it became generally clear that even prior to that in Czechoslovakia, as a consequence of the ease with which foreign credits were securable, there had been a certain credit expansion and a unwholesome inflation of operations in several branches of production, and that these credits of expressly short-term character had been employed to meet growing expenditure of supposed productive character. The bulk of these investments were not justified from the economic angle and were made only upon a faulty estimate of prosperous conditions. They involved our economic system in appreciable losses, by which we were impoverished, and which were not without influence upon the banking institutions that had provided the finance. These losses and the deterioration in the liquidity of the banking institutions undermined the confidence of depositors who commenced to withdraw their deposits, portions of which were then merely hoarded. None the less we were spared all moratoria, while the stock exchange, too, despite sharp falls in share prices, did not suffer any deroute, nor were exceptional measures necessary as they were in so many other countries.

In the investment stock market prices were maintained in the first half of the year at a high level in accord with the considerable measure of liquidity of the money market. Plain signs of a decline in quotations, especially in those of gilt-edged securities, did not manifest themselves till the end of September, when they were prompted by the substantially worsened position of the money market, which, however, still continued intact, so that the Government could at the end of January 1932 easily place treasury bills for 500 million Kč.

The actual Budget accounts, after four years of surplus, closed for 1930 with a deficit of 666 million Kč caused by both a decline in revenue and an increase in expenditure. The receipts fell short of the estimates and the position of the State undertakings deteriorated, expenditure was in excess of Budgetary estimates, and new expenditure accrued which could not be included in the Budget. Thus arose deficits which were met by short-term advances on treasury bills. To the capital market, which continued to show marked stringency, the Government in 1931 appealed in the form of an investment loan which yielded 1,500 million Kč.

Difficulties, however, arose connected with another and difficult process of accommodation in our national economy. The world crisis expressed itself in an appreciation of the value of gold, and a sharp drop in prices. The appreciation of gold compelled the countries with gold currencies, in all their internal and foreign economic relations, to adopt the hard course of deflation, which the British Empire and the States of Northern Europe had avoided by abandoning the gold standard. Just at the close of the year 1929 Czechoslovakia had expressed her currency unit in terms of gold content and had thus entered the circle of the gold bloc, whose lot it was at this time to strive with all the means at the disposal of official policy to reduce the system of economic figures, to conduct a policy of gold deflation, to feel the burden of private debts, the difficulties of the State finances, the obstacles that stood in the way of export trade, and the like.

Industrial production in the concluding months of the year 1931 passed into a stage of pronounced crisis, the most seriously affected being the export sections and those enterprises which had incautiously been granted excessive credit. The most resilient were the undertakings that worked with their own capital, and had not been lured by the previous favourable prospects to extend their capacity beyond reasonable limits.

The price level in Czechoslovakia declined more slowly than in other countries, a circumstance that had an adverse influence upon production costs, mainly in the case of goods intended for export trade, and in this way capacity to compete, already seriously affected, was further reduced. In consequence of the higher price level, the volume of imports steadily increased, and a regulation of import trade became more and more urgent.

The "freezing" of our claims for goods exported to numbers of countries—in contra-distinction to which we were compelled to pay for the relative items of imports of rawstuffs in foreign exchange—coupled with further payments off of short-term credits that had been secured from abroad, could not but influence the status of exchange at the National Bank. This, together with consideration for the money and capital market in view of the growing requirements of the State, compelled the financial authorities to contract a foreign loan to the amount of 600 million French francs.

This influx of exchange improved the position of the National Bank to such an extent that it was able on the 12th April 1932 to reduce the discount rate by 1% to the level of 5%, and the borrowing rates by  $\frac{1}{2}\%$  to  $6\frac{1}{2}\%$  and 7%. The object of this reduction was to relieve the burden of interest falling upon the country's economic system, and regard was also paid to the prolongation of treasury bills now falling due, for the discount rate is a criterion for fixing the terms of prolongation.

As prices fell, as economic activities slackened, and incomes declined the burden of debt, taxation, duties and the surcharges accruing to the local government bodies began to be felt with increasing insistence, and it became necessary to take steps to reduce the burden. The reduction of the official discount rate in April had had no effect upon the rates charged by the banks. The popular banking institutions saw no reason to reduce their rates, since they had not raised them on the occasion of the two preceding increases of the official rates. The commercial banks had, it is true, raised their rates, but had not reacted to the reduction of the official rates. The National Bank, therefore, in order to provide a basis for a reduction of their rates by the banking institutions, lowered the rates by  $\frac{1}{2}\%$  on the 26th September 1932—the discount rate to  $4\frac{1}{2}\%$ , and the rates for advances to 6% and  $6\frac{1}{2}\%$ .

A reduction of rates by the banking institutions was to take place by agreement, and the Advisory Board in Banking Matters, at its

meeting on the 26th September, decided that the interest on deposits should be reduced by  $\frac{1}{2}\%$ , and that the entire economies which the banks achieved by this step should find expression in a reduction of the rates charged for borrowings. As this decision made by the Advisory Board was not carried out fully even in Praha, and as the results achieved in the provinces were very indifferent, it was realized that an adjustment of interest rates must be secured by a normative measure, and this was accomplished in April 1933.

In an effort to facilitate the bases of calculation for all branches of production and trade by a general reduction of rates of interest and to enable these branches to pay their way, as well as in an effort to emphasize the necessity of the normative adjustment of interest rates just discussed, the National Bank on the 25th January 1933 reduced its discount rate by 1% to  $3\frac{1}{2}\%$ , while the borrowing rates, in view of the yield of gilt-edged securities which exceeded 6%, were reduced by  $\frac{1}{2}\%$  only to  $5\frac{1}{2}\%$  and 6%. After the Act of Parliament of 24th March 1933 (No. 47 in the Collection of Laws and Decrees) which reduced the yield of Government stock, mortgage and communal loans by  $16\frac{2}{3}\%$ , and after their quotations had adapted themselves to this change, the National Bank, on the 25th January 1934, reduced the rates for advances by  $\frac{1}{2}\%$  to 5% and  $5\frac{1}{2}\%$ . In this way the previous margin of  $1\frac{1}{2}\%$  between the discount rate and the borrowing rate was once more restored.

These official rates remained in force up to the 26th March 1935, on which day the rates for advances were lowered by  $\frac{1}{4}\%$ , but only for the first three months of the term of the advances. Thus to the existing two borrowing rates there were added two new ones, that is, there were now four, two for advances up to three months, and two for advances for terms longer than three months. Thus from the 26th March 1935 the rates for short-term advances were  $4\frac{3}{4}\%$  and  $5\frac{1}{4}\%$ , and for long-term advances 5% and  $5\frac{1}{2}\%$ . The aim of the difference of  $\frac{1}{4}\%$  between the short-term and the long-term rates was that lombard loans should remain actually short-term advances; the difference was designed to compel the debtor to pay off the advance within three months.

A further adjustment of the official rates of the National Bank, and one that is still in force, was made in connection with the second normative regulation of rates of interest, by which the level of interest rates charged by the banking institutions was again reduced, and which came into force on the 1st January 1936. In conformity with

that regulation the National Bank reduced its rates by  $\frac{1}{2}\%$ , that is, the discount rate to 3%, the rate for short-term advances on securities to  $4\frac{1}{4}\%$  and  $4\frac{3}{4}\%$ , and for long-term advances on securities to  $4\frac{1}{2}\%$  and 5%.

#### THE RECOVERY OF THE MONEY MARKET SINCE 1934.

The decline in prices in Czechoslovakia lagged more and more behind that abroad, and the price disparity was thus aggravated, although both the industrial world, especially the export section which was fast losing its capacity to compete, and the Government sought ways and means, by economies in personnel and material, to accommodate themselves to the changed economic conditions. The industries, especially those branches working for export trade, since they could not compete in prices, restricted their output, thus cutting down the earnings of their employees who therefore ceased to purchase goods in the domestic market. This manifested itself again in restricted industrial output for the home market in which concerns previously working only for export trade now began to compete, and ultimately the concerns normally supplying the home market and the new comers indulged in price-cutting against one another, putting their products on the market at prices that did not meet the costs of production. In this manner they ruined the market and made it impossible to pay their way, so that an ever-increasing number of concerns had to make arrangements with their creditors or went bankrupt. The banks financing them lost the capital they had advanced, and this in its turn aroused distrust on the part of depositors who withdrew their monies from the banks and hoarded them. Others withdrew their deposits because they needed money to purchase necessities, since their incomes had been reduced, or in some cases disappeared altogether. Others again withdrew their deposits in order to invest them in "substantial values" a proceeding designed to protect their savings against depreciation. In this manner the banking institutions lost their liquidity, and frequently, in order to preserve their liquid character, were compelled to refuse credit even to sound applicants. In view of the reduction in incomes, the creation of new capital either slowed up or ceased altogether, the savings withdrawn from the banking institutions were not replaced by others, and therefore the deposits generally in the banks declined. This was a reflex of the deflation into which Czechoslovakia was drawn like the other countries that had omitted to accommodate

their currency to the changed conditions after the appreciation of gold during the world crisis.

From trade and production which marked so little activity the State failed to receive the taxation that had been estimated in the Budget, and revenue generally fell while expenditure showed a rising tendency. The State sought to make good the deficit in its household by an appeal to the money market, where other public bodies also came with their requirements. This adversely affected not only the money market but also the capital market which was characterised by great stringency and high rates. The new Government stock came into the market, while that already there showed no decline, as the State had suspended sinking funds and drawings. Sellers of Government and other investment stock sought the market to eke out their declining incomes with the proceeds of the sales of their securities, but as purchasers were few, prices fell, and investment stock became illiquid, a circumstance which in its turn aggravated the position of the banking institutions whose funds were invested to a considerable extent in such stocks. The weight of debts that had been contracted at a time of prosperity was now felt in full force when prices and incomes were those of a period of crisis and deflation.

A portion of our export assets were frozen abroad, and we missed these funds in our home market, the last remnant of foreign credits had left us, and also our own capital was finding its way abroad, since its owners were afraid that it would be depreciated. The public were disquieted by proposals and debates and newspaper articles on debt-reduction, devaluation, confiscation of deposits, capital levy and by the demands that the National Bank of Czechoslovakia should finance investments and conduct operations in the open market.

The disquiet and uncertainty was still further intensified when in April 1933 the American dollar, deprived of its convertibility into gold, commenced to fall, after the United States had declared a moratorium for the banks and imposed an embargo on the export of gold. This occurred after an unhealthy speculative boom which had been facilitated by the inflation of stock-exchange, industrial and public credit and an expansion of credit in connection with the instalment purchase system.

The disparity between the price level at home and that abroad was increased by the appreciation of gold, as was seen in the difference between the purchasing power of gold in the countries of the gold bloc and its purchasing power in other countries which had

abandoned the gold standard. Gold did not cease to have its influence on all countries, and in the countries of the gold bloc it hindered the efforts made under the deflation process to link up their own price level to the world system of prices.

The close of the year 1933 and the early part of 1934 were occupied in Czechoslovakia, in the midst of these difficulties, with discussions, in particular, as to the future of export trade. Since the second half of 1933 a certain improvement had manifested itself in production, but it was essential to reduce the price level by another one-sixth if we were to eliminate the difference between our prices and those prevailing in the world's markets. Our Government decided to remove this difference by reducing the gold content of our currency unit, and by an Act of Parliament of the 17th February 1934 (No. 25 in the Collection of Laws and Decrees) the gold content of the Kč was reduced from 44.58 milligrammes to 37.15 milligrammes fine gold, that is, by one-sixth, and the bank-note cover was reduced to 25% but was for the future to consist of pure gold. It continued to be the duty of the National Bank to see to the stability of the exchange rate of the Kč abroad, and so to administer the circulation that the value of the currency should remain stable at its new level.

By this measure equilibrium was secured between our price level and the level of world prices, and the capacity of our export industry to compete was restored. This measure was not, however, to remain isolated, it had to be followed up by steps to enable production to become once more a paying proposition, to enable new capital to be created, to foster the capital and money markets and to ensure the mobility of the banking institutions.

To enable some of these tasks to be carried out, an Act of Parliament was passed on the 14th March 1934 (No. 49 in the Collection of Laws and Decrees) establishing a Czechoslovak Rediscount and Lombard Institute, equipped with a foundation capital of 100 million Kč provided by the State, and State guarantees for deposits and interest upon them, for the due payment and service of debentures, and a further guaranty up to 500 million Kč for other advances granted to the Czechoslovak Rediscount and Lombard Institute. All banking institutions that accept book deposits and treasury bill deposits must deposit with the Institute 10% of the growth of those deposits until their total deposit with the Institute is equivalent to 5% of the sum total of those deposits in their books. The Central Social Insurance Institute and the General Pensions Institute must



deposit with the Rediscount Institute 10% of the growth of their permanent funds until the total deposit is equivalent to 5% of the total of the funds in question, while every life insurance company must deposit 15% of the growth of its premiums accruing from direct domestic business until their total deposit is equivalent to 10% of the sum total of the premium reserves.

The Czechoslovak Rediscount and Lombard Institute, which was established on the suggestion made in the Summer of 1933 by Dr. Engliš, the present Governor of the National Bank, is entrusted in the first place with the task of looking after the money market, of seeing to the requirements of popular banking and ensuring the negotiability and marketable character of Government stock. A recovery of economic activities and of production is only possible on the basis of a recovery of the money market, and it is essential in the first place to see that Government stock shall become a liquid security sought with confidence as a means for the investment of capital, and it is necessary to assist banking institutions to regain their mobile character. The credits which the Czechoslovak Rediscount and Lombard Institute guaranteed for several banks sufficed in themselves frequently, without being actually availed of, to cause a return of confidence in those banks, hoarded monies began to flow again into the banks and thus were restored to economic activities and to the money market so that they could assist production in the creation of new capital. The banking institutions which acquired new deposits became mobile and were able again to grant fresh credits, a state of affairs which had a favourable effect upon production and trade.

To invigorate and support the money market there was introduced—again on the suggestion of the Governor of the National Bank—a system of stock exchange advances on securities, restricted at the outset to the banks but later extended to all members of the stock exchange. This enabled the holders of investment stock to secure short-term advances on favourable terms without having to sell their securities, and also enabled the possessors of capital to find short-term and safe investment for their capital. The Czechoslovak Rediscount and Lombard Institute acts as a medium for these stock-exchange advances and thus anonymity of the parties concerned on both sides is preserved.

The activities of the Czechoslovak Rediscount and Lombard Institute in intervening in the gilt-edged security market have been eminently successful. In earlier years there existed an intervention

consortium which concerned itself exclusively for the market quotations of Government stock and not for the entire money market. Nor was this possible for the consortium, in view of the diversity of its membership, the interests of its members not running always parallel and indeed sometimes being in direct conflict. As soon as new successive issues of Government stock began to appear in the market, such as the Investment Loan of the year 1931 to the amount of 1,300 million Kč and the Employment Loan in 1933 to the amount of 2,000 million Kč and treasury bills issued to cover the deficit in the Budget accounts, and when old Government stock appeared in the market which the holders were disposing of either because they had to supplement their declining incomes or out of fear of depreciation, the consortium was unable to stand this pressure and ceased to intervene. Now, however, when the Czechoslovak Rediscount and Lombard Institute, with the aid of all the factors concerned had restored normal conditions to the money market, when confidence once more prevailed in our banking system and in our economic system as a whole, and when not only the monies previously hoarded but also those returning from abroad began to appear in the market together with capital that was being newly created, interest once again began to be shown in Government stock. The certainty that here was an institution which in all circumstances would see to the fortunes of State securities, and the confidence felt that this stock could always be converted into cash without great loss—since the Czechoslovak Rediscount and Lombard Institute quickly checked precipitate movements of price in either direction—resulted in gilt-edged securities again becoming liquid investments; confidence in them was restored, and they were sought even for long-term investment of capital.

Stock exchange discount of the coupons of investment stock, a further link in the chain of development of the money market, is intended to enable holders of maturing coupons of investment stock to mobilise the amounts prior to the date of maturity.

The National Bank has supported the Czechoslovak Rediscount and Lombard Institute generously in every respect. By the aid of discount and advances on securities it has assisted the Czechoslovak Rediscount and Lombard Institute in fostering the liquidity of the banks, by advances on purchases of securities it has enabled the Institute to maintain the newly gained confidence in Government stock, so that every block of such stock is always saleable at a stable or very slightly changed price. These tactics have proved a complete

success, temporary largish sales have been followed by periods of increased demand, so that the supplies of Government stock purchased by way of intervention have always remained very low. In 1936 during the subscription to the National Defence Loan when many holders of stock sold out in order to be able to buy the new Loan, the supplies of stock thus purchased increased, it is true, but the Czechoslovak Rediscount and Lombard Institute succeeded in preserving the level of prices.

Stock exchange advances take the place here of operations that are elsewhere recommended for the open market.

By all these different measures the barrier was finally broken down that had stood between the liquidity of the short-term money market and stringency in the long-term credit market. The market became more liquid and rates declined, a culmination to which the normative adjustment of rates of interest contributed.

Both the stock exchange advances on Government securities and stock exchange discount of coupons issued from the initiative of the National Bank which in other directions, too, endeavoured to assist production whether for the home market or for export trade. In this connection may be mentioned the advances on clearing claims; these advances were extended and the amount of advance increased, as well as the total of advance for each applicant increased. Advances on clearing claims were designed to enable assets arising from export, already paid into a clearing account abroad but not yet available, to be mobilised at the Zemská Bank on favourable terms.

Efforts for the recovery of the money market were simultaneously made through the medium of exchange policy.

The introduction of private clearing compensation arrangements with the clearing countries in such a relation of exports to imports that a higher level of imports resulted, contributed to the reduction of a favourable but illiquid balance of account.

In order to increase the number of foreign visitors to Czechoslovakia—mainly to the spas—since, after the devaluation a stay in this country ceased to be expensive for foreigners, the National Bank, in conjunction with the countries concerned, established "Spa Accounts", saw to funds being allotted to them, and concluded if necessary other agreements of a compensation character for visitors to the spas and tourists generally, so that visitors from abroad might enter and stay in the country without serious exchange difficulties. To the Spa Accounts have been contributed mainly the assets of a financial character made free for foreigners.

By means of a conscription and compulsory surrender of foreign currency, claims against foreign countries, precious metals and securities, the gold and currency reserves of the National Bank were to be strengthened in order to enable the Bank to satisfy legitimate calls for exchange made by traders and producers to pay for imports. The yield of the sale of foreign securities accrued to the home money and capital market, contributed to their liquidity, and sought investment also in the sphere of production thus contributing to its revival. The liquidation of a number of capital participations abroad has improved our future balance of payments, since the yield of our enterprise will no longer pass to another country.

The State authorities contributed to the consolidation of the money market by an effort to accommodate the public finances to the fall in prices and to the restriction in economic activities. This effort was manifested in sharp cuts to enable the Budget for 1935 to be balanced. The Budget also included an item of 150 million Kč for the redemption of Government stock as a promise and commencement of regular drawings and allocations to the sinking funds of the State loans.

Together with the normative regulation of rates of interest the authorities introduced a 10% reduction on interest not only with the object of lightening the State's burden of interest but also as a protection for deposits in the banks against withdrawal for investment in Government stock, the yield of which was by this measure reduced to a standard of  $4\frac{1}{2}\%$ .

By the introduction of contractors' warrants the authorities enabled persons having Government contracts to mobilise their claims immediately. These warrants, according to the original scheme, were to be issued to the amount of 600 million Kč, but now, by virtue of an Act of Parliament of the 14th December 1936 (No. 313 in the Collection of Laws and Decrees) their circulation may reach a limit of 1,200 million Kč, and they are payable within six months of issue.

Simultaneously with solicitude for the money and capital market, attention was devoted to production and to placing it on a paying footing, since production, whatever its nature, can only be successful if it brings in profits. The solution of the problem of satisfactory yields for undertakings will also solve the problem of unemployment.

By the normative regulation of rates of interest debtors, whose debts had been aggravated, that is, appreciated, by the process of deflation and the burden of which had become disproportionate to

the new condition of affairs, received relief in respect of the interest payable on their debts.

The weight of indebtedness and of interest on debts had fallen most heavily upon the farmers who had suffered not only from the low prices obtaining for their products but also from the failure of successive harvests, and upon the unemployed. The Government therefore sought to help them, and issued a series of laws and decrees, such as No. 74 of the year 1933, No. 55 of that year, Nos. 33, 142, 207 and 211 of the year 1934 which suspended executions against agricultural property, provided provisional measures in connection with the insolvency of farmers, and measures touching the enforcement of claims against farmers and against unemployed persons. By these unilateral measures in favour of debtors, the latter were, it is true, assisted, so that for the time being they were relieved of anxiety with regard to paying off their debts or interest on them, but these measures undermined the granting of fresh credits.

In order to restore legal certainty and security and thus lay the foundation for fresh grants of credit, the Government Decrees Nos. 249, 250 and 251 of the year 1935, simultaneously with the normative adjustment of rates of interest at the close of 1935 and the rehabilitation of agricultural enterprise as a paying concern, liquidated the farmers' moratorium in such manner that the repayment of sums owing—which had not been paid by reason of the moratorium—was to take place within 8 or 9 years, while a readjustment was made of the manner of paying off other short-term debts, and alleviations granted in respect of the repayment of the long-term mortgage debts of the farmers. At the same time a readjustment was made of the repayment of certain long-term debts owing by the financially weak parishes, districts, building cooperative societies, and the like. These measures restored legal certainty to the world of credit and eliminated the obstacles that had hindered grants of agricultural and communal credits.

In the sphere of agriculture the question of profitable grain growing was solved by the establishment of a grain monopoly; the question of paying returns in the sphere of industrial production, after the settlement of the question of rates of interest, will have to be solved by economic organisation, by voluntary or compulsory syndicalisation, to prevent the market from being disorganised by unbridled competition at prices below the costs of production, and to prevent the working of allied undertakings from being menaced both as regards the home market and export trade. An effective organ-

isation of whole branches of production should be achieved to pay main regard to the interests of export trade. To facilitate direct contacts with the more remote markets an Export Institute was founded. The risks of export trade are reduced, in so far as the contracts are of a public character, by the guaranty offered by the State, and this guaranty was increased in amount by Act of Parliament No. 70 of the year 1935 by a further 1,000 million Kč.

To foster export trade with Russia a credit has been raised, in which the banks and industries have participated, to the amount of 250 million Kč.

To support transactions with abroad the National Bank has instituted direct credits, so that every importer and exporter, if he should not, by availing himself of the normal rates of interest charged by the banks, be capable of meeting foreign competition, may utilise the advantage of the official rate. This form of credit has a regulatory influence; it may cause a certain amelioration of the terms of interest charged by the commercial banks, for the National Bank can grant credit direct to commerce and industry if the banks—even in exceptional cases when it is a matter of the vital export interests of our undertakings—do not come to their aid with suitable rates of interest.

The process of improvement would be more rapid if the world of production were not unsettled by various, economically ill-considered proposals. Production must have quiet conditions, must again acquire confidence and legal certainty from the angle of both economic conditions and of credit.

We cannot, of course, hope that the undertakings which were ruined or temporarily shut down during the past crisis will all be restored to activity, and that those in which work recommences will turn out the same goods as before, nor can we hope that we shall be able to regain all our lost markets. A proof, however, of the vitality of our industry is to be seen in the fact that it has recently secured new markets abroad with goods that it not previously turned out. This is a guarantee that our industry will successfully overcome all obstacles, and in this way solve the problem of unemployment.

For commerce, trade and production the National Bank grants normal discount credit mainly to the banking institutions; for agriculture the Bank grants credit on the grain crop and other seasonal credits in respect of the hops, wine and sugar output, together with normal trade credits to the banking institutions of the agricultural

organisations, so that at the end of 1935 the National Bank had advanced discount credit to the amount of 5,704 million Kč. A further 1,306 million Kč was advanced on securities, so that the sum total of credits guaranteed was 7,110 millions. Besides these credits, further calls for credit both in the form of discount or advances on securities may accrue, and if they are justified on economic grounds the National Bank is always ready to meet them. The Bank also discounts tax and customs bills for the State finance departments, and thus accommodates them for a short period to enable them to bridge over the interval between times of increased requirements and reduced revenue, mainly at the close of the months and on the payments of salaries, etc.

The National Bank is opposed only to long-term loans, especially investment loans, for these should be provided by existing capital, by savings out of previous business, and never by the issue of bank-notes. Bank-notes cannot replace capital, and if they did, dislocations must occur which would first of all and most seriously affect the classes who rely on a steady income, that is, the working-classes, clerks and persons in receipt of incomes from various social, invalidity and old-age institutions. In the same way, producers, if they are to operate with success, must in addition to other basis of working, possess confidence as well as legal and currency security, otherwise they cease to produce, and in this case it is again the socially weak classes that suffer the most.

#### THE BANK-NOTE CIRCULATION, THE STATE-NOTE DEBT, GOLD COVER.

It is a cardinal principle of a Bank of Issue that the paper money it issues must be adequately covered, to a certain extent by precious metal, and fully by discounted commercial bills and securities on which advances have been made.

At the moment when the Czechoslovak State came into being the paper money which was circulating within its frontiers possessed practically no cover, for its only backing consisted for the most part in dubious claims against the Austro-Hungarian Bank. At the time when the stamping of the bank-notes in circulation on Czechoslovak territory was carried out under the terms of the Order of the Minister of Finance of the 25th February 1919 (No. 86 in the Collection of Laws and Decrees) the State took over, in pursuance of Government Decree of the 6th March 1919 (No. 119 in the Collection of Laws and

Decrees) all the obligations of the Austro-Hungarian Bank which were later ascertained to amount to Kč 10,189,905,599.80.

By the Act of Parliament of 10th April 1919 (No. 187 in the Collection of Laws and Decrees) which laid the foundations for the development of an independent Czechoslovak currency, the stamped bank-notes of the Austro-Hungarian Bank acquired the character of State-notes, and the main cover for this circulation was the guarantee of the State which took its rise from the assumption of the obligations of the Austro-Hungarian Bank.

The State authorities were well aware that it would be necessary to take far-reaching measures for a rehabilitation of the Czechoslovak currency, which was to be based on the well-proved principles of the working of a Bank of Issue. At the same time steps were taken in the direction of securing that the paper money in circulation should be later provided with appropriate cover according to sound currency principles.

This important end was to be attained mainly by means of a capital levy and increment duty which were imposed by an Act of Parliament of the 8th April 1920 (No. 309 in the Collection of Laws and Decrees). These charges were intended in the first place to provide the basis for the coming adjustment of the currency and for meeting the obligations taken over from the Austro-Hungarian Bank.

By means of the yield of the capital levy and of the increment duty the obligations taken over from the Austro-Hungarian Bank indicated above and to which the title of State-note debt continued to be given were gradually reduced, and on the 1st April 1926 when the National Bank commenced its operations the total State-note debt appeared in the final accounts on 31st December 1925 as amounting to Kč 5,718,070,563.82.

This State-note debt was included in the assets of the National Bank of Czechoslovakia, and constituted a considerable proportion of the cover for the bank-notes issued by the Bank.

Both the National Bank and the State authorities put forward big efforts to get this State-note debt paid off as rapidly as possible, and to this end the Government concluded a contract with the National Bank on the 2nd February 1927. The State authorities gave the National Bank a special bond dated the same day, in which the State undertook to pay off the State-note debt by annual instalments of 110 million Kč. At the same time the two contracting parties, in order to accelerate the repayment of the State-note debt, modified



the provisions of Art. XII., sec. 5 of the Act of Parliament of the 23rd April 1925 (No. 102 in the Collection of Laws and Decrees), according to which the Minister of Finance could, as soon as the State-note debt fell below 5,000 million Kč, utilise future incomings from the capital levy and increment duty to the extent of two-thirds of their total amount, as an advance bearing no interest towards the amortisation of the State bonds issued under the terms of the Act of Parliament of 12th August 1921 (No. 333 in the Collection of Laws and Decrees). The modification of these provisions carried out by means of the contract above mentioned consisted in the State undertaking that it would not utilise two-thirds of the incomings from the capital levy and increment duty for the purpose indicated, but only 40%.

Since the 1st January 1932 the State authorities have no longer made regular annual payments to amortise the State-note debt, for the reason that in 1932, after the payment of the transactions of the Bank Office of the Ministry of Finance in liquidation that had not been taken over, the State-note debt was reduced in all by Kč 263,116,039.65 by the fact that, under the terms of the Act of Parliament of 9th June 1932 (No. 94 in the Collection of Laws and Decrees) concerning the new system of token coin, the Kč 20 and Kč 10 bank-notes were no longer reckoned among the bank-note circulation but included in that of small paper money. For the carrying out of this transaction the National Bank of Czechoslovakia concluded a special agreement with the Minister of Finance on the 11th September 1934.

A further substantial reduction of the State-note debt to the extent of Kč 422,297,001.95 took place in the year 1934 as a result of booking the increase in value of the stocks of gold in pursuance of the Act of Parliament of the 17th February 1934 (No. 25 in the Collection of Laws and Decrees). A special agreement as to this booking transaction was concluded between the National Bank and the Minister of Finance on the 27th September 1934.

As regards the metal cover of the Czechoslovak currency it may be mentioned that the first regulation issued in this connection appears in §§ 26 and 28 of the Act of Parliament of the 14th April 1920 (No. 347 in the Collection of Laws and Decrees) concerning the joint-stock Bank of Issue. According to those paragraphs the Bank must possess at least a 35 per cent metal cover in which is included gold coin and bullion to an unlimited amount, foreign media of payment, exchange, possessing otherwise the properties of bills admissible to

discount and assets abroad in a currency convertible into gold, up to the amount of the paid-up capital fixed on the basis of gold party, also silver, coins and bullion to the amount of 50 million currency units, and finally Czechoslovak small token coin of silver or other metal up to 5% of the total bank-note circulation, but not beyond the equivalent of 25 million currency units.

These provisions never actually came into force, for before the National Bank commenced its activities they were amended by Art. VII of the Act of 23rd April 1925 (No. 102 in the Collection of Laws and Decrees) which laid it down that from the moment when at least two-thirds of the share capital should be subscribed and paid up to the issue of a special currency law the Bank must possess a metal cover equivalent to 20% of the total bank-note circulation; this cover might include bills payable at sight, but must exclude the State-note debt. This metal cover was to be augmented over a period of 15 years during which the Charter granted to the Bank remains in force, by 1% per annum, and it was to include, besides precious metals of which gold was to represent at least three-fourths of the whole cover, foreign bank-notes (valuta), current coin and full-value exchange.

The Regulations of the Standing Committee of the 7th November 1929 (No. 166 in the Collection of Laws and Decrees) which for the first time placed the Czechoslovak crown in a definite relation to fine gold, laid it down in § 6 that it was the duty of the Bank to possess gold cover of at least 25% up to the end of the year 1929, at least 30% up to the end of the year 1930, at least 35% up to the end of 1935 and subsequently, of the total bank-note circulation, including bills due at sight. This gold cover was to consist of minted or bullion gold to the extent of one half, while the balance could consist of foreign bank-notes (valuta), current coin and full-value exchange.

The final adjustment of the gold cover of the Czechoslovak currency was carried out by an Act of Parliament of 17th February 1934 (No. 25 in the Collection of Laws and Decrees) which in Art. III provided that it was the duty of the Bank to possess a gold cover composed solely of coin or bullion to the amount of at least 25% of the total bank-note circulation inclusive of sight bills.

The National Bank of Czechoslovakia commenced its activities on the 1st April 1926, but it took over the business of the Bank Office of the Ministry of Finance on its own account, or for administration for account of the State according to the status of 1st

January 1926. The Bank Office of the Ministry of Finance thus carried on throughout the first quarter of the year all business for the National Bank.

Of credit business and discount and lombard transactions the National Bank in pursuance of its statutes took over only those which by their character were obviously short-term and liquid, while transactions which by their character did not answer to the requirements of a bank of issue were not taken over by the National Bank on its own account but only into management for account of the State. These were discount transactions of a sanitation character, and advances on securities mostly taken over from the Austro-Hungarian Bank.

On the 31st December 1925 the Bank Office of the Ministry of Finance in its return of that date showed discount of bills to the amount of Kč 747,598,000, discount of securities to the amount of Kč 355,455,000, and loans on securities Kč 495,186,000, a total of Kč 1,598,239,000. Of these the National Bank took over on its own account discounted bills for Kč 343,645,000, discounted securities for Kč 355,455,000 and loans on securities for Kč 91,192,000, a total of Kč 790,292,000. For the account of the State the Bank took over accounts for Kč 807,947,000.

The National Bank undertook as a good manager to do its best to conclude all those transactions taken over for the State from the Bank Office of the Ministry of Finance to the best advantage. All capital payments and interest yields were deducted from the liquidation assets taken over. By these payments the status of transactions taken over into management from the Bank Office of the Ministry of Finance in liquidation up to 31st March 1926 was reduced to Kč 752,603,000, from which was deducted the yield of the lombard assets which the Bank had subsequently to take over from the Austro-Hungarian Bank to the amount of Kč 48,889,000, so that on the 1st April 1926, the day on which the National Bank commenced its operations, the balance of transactions not taken over fell to Kč 703,714,000, and by the end of the year 1926, through further payments, to Kč 585,211,000.

Of credit transactions the National Bank took over, as above stated, business to the value of Kč 790,292,000, which became commercial cover for the bank-notes in circulation. The precious metals, foreign bank-notes and coins, assets abroad, exchange, and cheques on foreign centres taken over by the Bank totalled an amount of Kč 2,275,174,000 and constituted the gold cover in so far as the

foreign claims and other securities were in full-value currencies. The balance in other than full-value currencies became ordinary bank cover.

On the other hand the National Bank took over State-notes in circulation on the 1st of January 1926 to the amount of Kč 8,408,351,000, and cheque account balances to the amount of Kč 741,637,000, making a total of Kč 9,149,988,000.

A partial cover for the above State-notes which thus became bank-notes was at that time forthcoming in the form of the State-note debt to the amount of Kč 5,085,269,000.

This debt accrued from the bank-notes of the Austro-Hungarian Bank which at the time of the stamping of the bank-notes in March 1919 circulated on Czechoslovak territory to the amount of 8,015,120,000 crowns, of cheque account balances to the amount of 1,616,884,000, of treasury bills of the Austro-Hungarian Bank for 467,534,000, and of exchanges of notes made within the terms of the Act of 10th February 1921 (No. 67 in the Collection of Laws and Decrees) in the Těšín and Hlučínsko districts and in Carpathian Ruthenia, etc, in so far as the stamping of bank-notes was not carried out in those territories, to the amount of 85,364,000 — a total of 10,184,902,000.

The final total of the State-note debt (Kč 10,189,906,000) was not ascertained until after the 1st January 1926.

The Czechoslovak State was obliged to take over the notes of the Austro-Hungarian Bank to this amount as its share of the debt on the liquidation of the Austro-Hungarian Bank, that is, as its own bank-notes. The balance of these notes (after the reduction of their amount through payments on capital levy account, from the sinking-fund of the State-note debt, etc. to the amount of Kč 5,099,633,000) which thus now totalled Kč 5,085,269,000, passed as an assets item to the balance-sheet of the National Bank.

If to this State-note debt there be still added the total of the transactions of the Bank Office of the Ministry of Finance that were not taken over amounting to Kč 752,603,000, the sum of 5,837,872,000 represents the block of bank-notes in circulation which, on the commencement of the operations of the National Bank were not covered either by precious metals, or foreign currency or assets abroad, nor by commercial bills, but merely by a claim on the State. These bank-notes cannot automatically return to the Bank of Issue since the economic system of the country does not need them, they remain for the most part in circulation, only a portion of them being tempo-

rarily placed on cheque account, so that from the outset there was added to our immature system of cheque payments an imperfect bill system.

The development of transactions and bank cover in the first five years was as follows:

At the end of the year	Credit Transactions	Gold and exchange	State-note debt and Business of the Bank Office of the Ministry of Finance not taken over	Bank-note Circulation and Cheque Account Balances
(in thousands Kč)				
1926	261,133	3,098,928	5,397,865	9,084,343
1927	125,623	3,550,523	4,941,853	9,107,128
1928	483,169	3,713,081	4,527,515	9,295,636
1929	1,010,915	3,532,393	4,123,540	8,904,357
1930	525,245	4,049,001	3,775,443	8,393,457
Difference between 1926 and 1930:				
	+ 264,112	+ 950,073	— 1,622,422	— 690,886

The bank-note circulation plus cheque account balances was covered by:

At the end of the Year	Credit Transaction	Gold and Exchange	State-note debt and Business of the Bank Office of the Ministry of Finance not taken over
1926 . . . .	2.87%	34.11%	59.42%
1927 . . . .	1.38%	38.99%	54.26%
1928 . . . .	5.20%	39.95%	48.71%
1929 . . . .	11.35%	39.67%	46.31%
1930 . . . .	6.26%	48.24%	44.98%

The State-note debt was reduced by payments made under the terms of the agreement between the Government and the National Bank of February 1927 and by the encashment of a portion of the transactions not taken over of the Bank Office of the Ministry of Finance to a total amount of Kč 1,622,422,000. On the other hand credit transactions and stocks of gold, exchange and assets abroad increased by Kč 1,214,185,000. The difference between the two items, amounting to Kč 408,237,000 represents the amount by which the bank-note circulation dropped, through payments on account of the State-note debt and for the business of the Bank Office of the Ministry of Finance not taken over, in excess of the amount that

returned to the bank-note circulation through credit transactions and purchase of precious metals, exchange and assets abroad. The bank-note circulation declined in this period by Kč 690,886,000, that is by Kč 282,649,000 more than the above difference. The circulation showed the most pronounced decline in the year 1930, when as a result of lower employment and the reduced prices for raw materials and manufactures the world of production did not require so much working capital as in the years when employment had been brisk and prices high. In the years 1926 to 1929 inclusive, mainly through purchases of precious metals, exchange and assets abroad, and in smaller measure through credit business, as many bank-notes returned to the circulation as had been withdrawn from circulation by payments in respect of the State-note debt and the transactions not taken over.

Credit transactions, with the exception of the year 1929 when, on the collapse of the New York stock-exchange, they exceeded 1000 million Kč and covered the bank-notes in circulation and the sight claims to the extent of 11.35%, were very small in proportion to the circulation, discount of bills in particular moving within very disproportionately modest limits. The stocks of discounted bills at the end of the respective years were:

1926	. . . . .	173 million Kč
1927	. . . . .	74 million Kč
1928	. . . . .	293 million Kč
1929	. . . . .	526 million Kč
1930	. . . . .	360 million Kč

It was not until the year 1928 that there was a more pronounced increase in credit transactions of the National Bank to a figure of over 500 millions, and this rise was expressed fully in transactions in commercial bills, whether handed in directly by the banking institutions or on better security through the Zemská Bank, which at that time was carrying out *de facto* the duties which in the year 1934 were taken over by the Rediscount and Lombard Institute.

The following table shows the state of accounts at the National Bank in the second five-years period of its existence, and gives a comparison between the commencement and the close of the decade, that is, between the status on 1st January 1926 and on the 31st December 1935.

The second table shows the relation, expressed in percentages, between credit transactions, gold, exchange and the State-note debt

on the one side and the bank-note circulation and cheque account balances on the other. Alongside each of these relations there is given in brackets the proportion to the total circulation, that is the bank-note circulation plus token money and cheque account balances.

At the end of the Year	Credit Transactions	Gold and Exchange	State-note debt (and Business of the Bank Office of the Ministry of Finance not taken over)	Bank-note circulation and cheque account balances	Circulation of Small Money
(in thousands of Kč)					
1931	2,315,551	2,587,561	3,415,617	8,039,795	436,742
1932	1,675,227	2,734,135	2,686,550	6,868,822	1,006,830
1933	1,750,647	2,625,555	2,593,473	6,776,136	972,741
1934	1,378,819	2,930,700	2,094,787	6,406,006	978,502
1935	1,344,630	2,784,574	2,046,214	6,172,494	979,859
					7,152,353

Initial status (on the day the Bank took over business from the Bank Office of the Ministry of Finance):

1 Jan.

1926	790,292	2,275,174	5,837,872	9,149,988	215,301
					9,365,289

Difference between 1 Jan. 1926 and 31 December

1935	+ 544,338	+ 509,400	- 3,791,658	- 2,977,494	+ 764,558
					- 2,212,936

The bank-note circulation plus cheque account balances was covered by:

(in brackets the same relation to total circulation)

At the beginning of	Credit transactions	Gold and exchange	State-note debt (and Business of the Bank Office of the Ministry of Finance not taken over)
1926	8.64% (8.44%)	24.86% (24.37%)	63.80% (62.33%)
At the end of			
1931	28.80% (27.32%)	32.18% (30.53%)	42.48% (40.29%)
1932	24.39% (21.27%)	39.81% (34.72%)	39.11% (34.11%)
1933	25.81% (22.59%)	38.75% (33.89%)	38.28% (33.47%)
1934	21.55% (18.67%)	45.75% (39.69%)	32.70% (28.37%)
1935	21.78% (18.80%)	45.11% (38.93%)	33.15% (28.61%)

From the first table it will be seen that credit transactions declined when, after the tension in the year 1931 (after the abandonment of the gold standard by sterling), the disquiet was again dissipated in 1932 and confidence once more grew. But again in 1933 when the United States successively reduced the gold content of the dollar, and sharp discussions took place in own country on the question of the currency, when the public began to withdraw their deposits and to hoard bank-notes, the banking institutions were once more compelled to utilize the credit of the National Bank, so that the figure of credit transactions increased. After the devaluation in 1934 quieter conditions prevailed, the hoarded money returned to circulation, deposits grew, the money market as a result of appropriate measures became consolidated, confidence increased, and the economic system no longer needed the help of the credit of the Bank of Issue, so that credit transactions steadily declined to the close of the year 1935.

The growth in credit operations in 1931 was due in the main to commercial bills and short-term bonds handed in for discount, as also to increased sugar credits, and finally to augmented discount of bills through the Zemská Bank. The bulk of these credits were of temporary character only, and they were also applied for to institutions that sooner or later were not obliged to call upon the National Bank for credit. These temporary credits for the most part disappeared from the agenda of the Bank, but the wider volume of credits was maintained.

An outstanding change occurred by the introduction of grain warrants in 1933, the use of which had become general as early as the following year. The total volume of credit business did not, it is true, increase, and towards the end of 1933 bill credits dropped below the level of 1 milliard, but alongside short-term bill credits a notable group of seasonal credits came into evidence. Meanwhile in the sphere of credits of a more permanent nature there took place a very substantial increase in advances on securities to the German savings banks.

There was a relative (percentual) increase in the share of seasonal and longer credits as opposed to short-term bill transactions in 1935 and at the beginning of 1936, when the money market registered a great plethora that enabled the banks to dispense to a considerable extent with rediscount at the National Bank, while calls for seasonal and longish-term credit continued undiminished. After the surplus funds had been taken up partly by the more intensive economic



activities that had manifested themselves since the middle of 1936, discount of commercial bills again increased.

It is the interest of the National Bank that of the entire volume of credit business the largest share should consist of short-term transactions, in the first place, of course, of short-term commercial bills, that the amount of seasonal credits should not exceed a certain limit, and that credits recurring for longish periods should at least in course of time be replaced by credits of better quality.

By Act of Parliament of the 9th June 1932 (No. 94 in the Collection of Laws and Decrees) the circulation of token money was adjusted, the quota of small money being increased from 600 to 1200 million Kč, bank-notes of Kč 10 and Kč 20 ceased to be regarded as bank-notes and became small paper money (State-notes), were excluded from the bank-note circulation and no longer reckoned as part of the circulation for which the law prescribes gold cover. On the 30th June 1932, bank-notes of Kč 10 and Kč 20 were in circulation to the amount of Kč 548,685,000. The circulation of small money was increased by that amount, and on the above mentioned date the total rose to Kč 1,007,963,000.

The sum of Kč 548,685,000 set free as above was utilised in the first place for a final settlement of the business not taken over from the Bank Office of the Ministry of Finance in liquidation, this requiring Kč 286,167,000. That item thus disappeared from the Bank returns. The balance was applied to a reduction of the State-note debt in that the regular annual payments towards amortisation of the State-note debt according to the agreement of February 1927 were to remain in abeyance until the total of this suspended payments was equivalent to the amount booked for the Kč 10 and Kč 20 State-notes.

So far we have not dealt with the circulation of small money, since the circulation compared with that of bank-notes was relatively small. On the 1st January 1926, the day on which the National Bank took over the business of the Bank Office of the Ministry of Finance in liquidation, the circulation was Kč 215,301,000. Up to the 30th June 1932 our system of small coin increased to the amount of Kč 459,278,000, and by the addition of the Kč 10 and Kč 20 notes it exceeded the milliard level.

The circulation of small money is supplementary to the circulation of bank-notes, and no change occurred in practice in the issue and return of Kč 10 and Kč 20 paper notes, these being issued and returning precisely as previously when they were bank-notes. Coins come into circulation exclusively through the National Bank, and

almost always in exchange for bank-notes, and the surplus circulation of coin returns to the National Bank again in exchange for bank-notes. If a comparison is made of the circulation of media of payment in various periods, and if economic deductions are to be made from the comparison, it is essential to compare not merely the bank-note circulation but that of small money, since this latter has now reached the milliard level. By the inclusion of paper Kč 10 and Kč 20 in the system of small money no change has occurred in practice, the total circulation of bank-notes and of small money prior to and since the transfer in the books remains the same. It is merely the mutual relation that has substantially changed as will be seen from the following table:

Circulation on the 30th June 1932  
(in thousands of Kč):

	Before transfer	After transfer
Bank-notes . . . .	6,958,603	6,409,918
Small money . . . .	459,278	1,007,963
Total . . . .	7,417,881	7,417,881

Prior to the transfer the circulation of bank-notes was 93.81% and that of small money 6.19% of the total circulation, while after the transfer the former was 86.41% and the latter 13.59% of the total circulation.

The State-note debt was reduced in the second five-year period (difference between 1931 and 1935) by 1,369 million Kč. This figure, however, includes the transfer in the year 1932 of the Kč 10 and Kč 20 from the bank-note circulation to the circulation of small money to the amount of 549 million Kč, and the booking in the year 1934 of the devaluation profit of 422 million Kč. Through those two transactions the item of the business of the Bank Office of the Ministry of Finance not taken over disappeared from the returns of the National Bank, and the balance was applied to the reduction of the State-note debt. This, however, did not improve the position of the Bank of Issue in the money market in the slightest, since at the same time not a single bank-note returned to the Bank. The transfers altered the relative items in the returns of the National Bank and changed the proportion of cover of the bank-note circulation, but the situation of the Bank of Issue in the money market remained unchanged. The actual improvement in the situation is represented merely by the difference between the reduced status of

the State-note debt and the total of the two transfers, that is to say, 398 million Kč a very meagre result in the course of five years.

In respect of the advances of the Bank Office of the Ministry of Finance in liquidation, which the National Bank in pursuance of its agreement with the Ministry continues to administer as a deposit by the State authorities (old advances on securities and "sanitation" accounts) payments still come in which the Bank places to the credit of the cheque account of the Central State Treasury. These advances and accounts had declined as of 31st December 1936 to 98.8 million Kč.

The bank-note circulation and cheque account balances declined during the ten years activities of the National Bank by 2,213 million Kč. This reduction would have been at least 400 millions less if the date of payment of the salaries of the State employees had not in 1933 been shifted from the 1st of each month to a later day, so that these payments ceased to appear in the returns of the Bank for the end of each month, but moved to the returns of the 7th and later of the 15th of each month. From the beginning of 1937 when these payments will again be made on the 1st of each month, the requirements of the State will always be shown in the returns of the Bank for the end of the month. In comparing the Bank-note circulation regard has always been paid to the fact that the pay of the State employees from November 1933 to the end of 1936 was not included in the end-of-the-month returns of the Bank.

If we compare the total reduction of the circulation to the amount of 2,213 million Kč (and after adjustment consequent upon the shift in the date of payment of State employees' salaries, a reduction of only about 1,800 millions) with the total reduction of the State-note debt to the amount of 3,792 million Kč, there appears a disparity of close upon 2,000 million Kč, by which amount the reduction of the circulation lagged behind the reduction of the State-note debt. Of this difference 971 million Kč was accounted for by the two transactions above referred to of transferring Kč 10 and Kč 20 notes to the system of small money and the booking of devaluation profits on gold, exchange and assets abroad, which had practically no effect upon the circulation but reduced the State-note debt. The balance of the difference between the two amounts was accounted for by the increase in credit business and stocks of gold, exchange and assets abroad to the amount of 1,021 million Kč. From a comparison of the reduction of the total circulation and of the State-note debt

it is seen that the decline in the circulation was at least 1,000 million Kč behind the decline in the State-note debt.

The break in the period of prosperity in 1929 and the succeeding years of crisis meant a gradual decline in the bank-note circulation which continued into the year 1934. With the decline in production and consumption there was a parallel decline in the need of circulation, and this decline in requirements was also an expression of a drop in prices. The reduced requirements of circulation did not, however, find full expression in a decline in the bank-note circulation, since there was a drop at the same time in the rate at which the circulation moved, so that more media of payment remained in circulation than was necessary for its economic exploitation.

The reduced tempo of circulation is reflected in the following data concerning the individual forms of the settlement of accounts by transfers to the exclusion of payment in cash. Despite the steady decline in the bank-note circulation there was also a decline in the volume of cheque account transactions at the National Bank (between 1929 and 1934 by 33%), in the clearing associations (in the same period by 48½%), and also in the cheque system of the Post Office Savings Bank, if we bear in mind that at the same time the number of cheque account holders advanced from 105,000 in 1929 to nearly 120,000 in 1935.

#### Annual Turnover in milliards Kč:

Year	Cheque Accounts of the National Bank	At the Clearing Associations	In the Cheque System of the Post Office Savings Bank
1929	260	102	165
1930	245	82	164
1931	244	81	159
1932	214	92	168
1933	191	56	159
1934	174	52	160

That the reduction in the circulation of bank-notes did not prove an impulse to more intensive economy of the circulation is a proof that even after the reduction it remained larger than economic activities required.

It is not therefore surprising that the decline in the circulation of bank-notes and all other circulation—adding the cheque account

balances at the National Bank and the circulation of small coin and small paper money—is considerably less than would correspond to the decline in production, consumption and the price level.

Year	Circulation of bank-notes (weekly status)	Annual average		Total circulation	Index of total circulation 1928=100
		Cheque account balances	Circulation of small money (monthly status)		
1928	7,078	956	268	8,302	100
1929	7,022	744	295	8,061	97
1930	6,628	871	349	7,848	94.5
1931	6,469	873	378	7,720	93
1932	6,058	653	775	7,486	90.2
1933	5,820	826	969	7,615	91.7
1934	5,418	859	957	7,234	87.2
1935	5,489	820	947	7,256	87.5

#### Annual Average Index of Prices:

Year	Wholesale		Retail	
	1914=100	converted into 1928=100	1914=100	converted into 1928=100
1928	969	100	916	100
1929	913	94.3	897	98
1930	811	83.6	858	93.7
1931	736	76	780	85.3
1932	680	70.2	728	79.5
1933	659	68	701	76.5
1934	676	69.8	668	73
1935	705	72.7	697	76

From the preceding tables it will be seen that the index of total circulation (basis: 1928 = 100) declined to the year 1935 by no more than 12½%, whereas the wholesale commodity index dropped in the same period by 27% and the index of retail prices by 24%. Although the price indices cannot in this connection be taken as the basis of a theoretical calculation of the requirement of circulation, they are none the less a reliable index of the strength of a tendency which in this case shows that the annual averages of circulation were substantially higher than was demanded by the condition of production and consumption, measured in terms of declining prices.

In view of these circumstances, the National Bank cannot be reproached with having neglected to bring the circulation up to the level demanded by economic conditions, nor with having intentionally reduced the volume of circulation and evoking a shortage. The figures given above show that a shortage of circulation as a means of facilitating exchanges did not ensue throughout the whole period.

The National Bank, on the contrary, not only did not withdraw from circulation bank-notes that the conditions of production would have demanded, but actually put bank-notes into circulation by increasing the volume of its credit transactions, the annual average of which was (in millions of Kč) calculated according to the weekly status: in 1928 — 286, in 1929 — 669, in 1930 — 340, in 1931 — 772, in 1932 — 1,311, in 1933 — 1,517, in 1934 — 1,494, in 1935 — 1,165. By this issue of bank-notes the National Bank partially returned to the circulation in the form of elastic media the payments accruing from the capital levy destined for paying off the State-note debt.\* The amount booked on account of the State-note debt in the years 1929-35 totalled 2,052 million Kč, while the status of credit transactions at the close of 1935 was 861 millions higher than at the close of 1928. The highest level was attained, however, in 1931, when the National Bank increased the volume of its credit business from 500 million Kč in the middle of the year to 2,316 millions at the close of that year. By this increase in credit business the National Bank replaced the foreign funds which, in the credit crisis of that year, had been recalled by foreign creditors, and the export claims frozen abroad.

Thus the National Bank by its issue of bank-notes on the basis of credit business, did all that it was required to do by law in the way of fostering the circulation.

The position of the cover of the bank-note and other circulation shown in all the relative items of the returns in the course of the first ten years of the activities of the National Bank has substantially improved. Thus the proportion of the State-note debt to the bank-note circulation improved from 63.8% to 33.15%, and the proportion to the total circulation from 62.33% to 28.61%, but remained still too high, as is best seen from a comparison with the cover by credit transactions. This rose indeed in the course of the ten years from 8.64% and 8.44% respectively to 21.78% and 18.8% respectively, but the relation of credit transactions to the bank-note circulation and

\*) See page 276.

the total circulation remained very unfavourable. Only at the close of 1931, when we repaid to foreign countries at least 2,500 million Kc of short-term credits, and when our export assets abroad were frozen to the extent of nearly 2,000 millions, that is in a year of great financial tension, did the cover move to 28.8% and 27.32% respectively, whereas in normal times this proportion should be between 35% and 40%, and in times of abnormal demand on the part of production should duly exceed that limit.

The proportion of gold, exchange and claims abroad to the bank-note circulation and the circulation as a whole improved from 24.86% and 24.37% respectively to 45.11% and 38.93% respectively. This proportion alone is satisfactory. The other two need to be considerably improved, the proportion of credit business should substantially advance and the proportion of the State-note debt substantially decline, if the State-note debt cannot in the near future be paid off. Of course the reduction must be made by actual payment in bank-notes out of the circulation and not merely by means of book-transfer which would have no effect upon the actual circulation.

From these two unfavourable relations deductions must be made for the policy of the Bank which must exercise extreme care in seeing that new bank-notes come into circulation solely in the form of short-term commercial credits, which return to the Bank before they can produce any inflational consequences.

THE DEVELOPMENT  
AND ACTIVITIES  
OF THE BANK OF ISSUE  
AS SHOWN  
IN BALANCE-SHEETS  
AND RETURNS

By  
FELIX KORIMSKÝ



## SUMMARY OF BALANCE-SHEETS

Assets	1926
Precious metals: gold	916,494,574.02
silver	94,685,193.88
Foreign bank-notes, silver and token coinage and un- minted silver	5,850,043.72
Balances abroad and foreign exchange advanced	2,076,356,648.71
Foreign bills discounted	4,878,400.10
Foreign cheques in course of collection	662,594.71
Czechoslovak token coinage	8,001,675.48
Small notes	—
Home bills	144,048,178.74
Other bills	28,961,811.89
Securities discounted	31,000,000.—
Advances on security	57,128,261.25
Bank premises	52,757,023.09
Building of the bank-note printing office	16,209,058.97
Furniture and fittings	3,594,449.29
Furniture and fittings of the printing office	1,559,911.26
Business of the Bank office (in liquidation) of the Mi- nistry of Finance, taken over for management by the National Bank	585,211,435.39
State-note debt	4,812,654,112.80
Suspense account of balance abroad	771,774,407.69
State Gold Fund investments	—
Other assets	43,040,787.04
Suspense assets (interest due in current year to be col- lected in the coming year)	11,903,028.05
Items as per contra	69,533,931.58
	9,736,300,527.66
Assets	1931
Precious metals: gold	1,649,899,315.15
silver	6,445,729.35
Foreign bank-notes, silver and token coinage and un- minted silver	3,370,543.35
Balances abroad and foreign exchange advanced	893,045,093.70
Foreign bills discounted	34,699,733.95
Foreign cheques in course of collection	100,430.—
Czechoslovak token coinage	10,627,440.—
Small notes	—
Home bills	1,430,337,873.70
Other bills	251,701,609.45
Securities discounted	476,830,823.—
Advances on security	156,680,960.—
Bank premises	77,785,162.10
Building of the bank-note printing office	17,696,203.15
Furniture and fittings	6,412,337.85
Furniture and fittings of the printing office	5,084,755.55
Business of the Bank office (in liquidation) of the Mi- nistry of Finance, taken over for management by the National Bank	294,214,345.40
State-note debt	3,121,402,875.35
Suspense account of balances abroad	63,572,292.05
State Gold Fund investments	—
Other assets	185,209,353.40
Suspense assets (interest due in current year to be col- lected in the coming year)	7,309,097.70
Items as per contra	77,841,000.—
	8,770,267,174.20

FOR THE YEARS 1926—1935

1927	1928	1929	1930
1.004,632.029'59 112,804.058'46	1.156,671 654'50 48,625.959'35	1.261,428.856'— 40,546.769'70	1.544,597.126'30 19,907.548'70
4.375.188'40 2.424,677.101'59	3,966.119'40 2.465,000.155'40	5,488.488'30 2.203,349.167'20	6,138.241'35 2.469,895.034'50
3,003.648'40 1,030.639'83	38,233.419'05 583.479'45	20,938.402'70 641.040'30	8,020.986'20 441.933'90
34,001.350'28 —	22,836.555'70 —	21,892.637'35 —	63,973.244'45 —
49,689 038'90 24,067.378'69	240,355.247'80 52,766.928'80	397,081.922'40 128,651.962'05	308,831.563'25 51,615.565'50
29,000.000'— 22,866.500'—	119,000.000'— 71,047 150'—	395,717.237'65 89,464.290'—	133,190.000'— 31,607 880'—
54,378.861'98 19,566.219'97	56,276.401'15 19,619.304'25	56,543.989'65 19,458.100'—	62,419.701'80 18,047.077'95
4,442.959'38 2,547.530'08	4,760 023'55 4,433.496'70	5,237.287'50 4,955.818'30	6,143.701'65 5,357.140'55
497,600.194'94 4.444,253.477'09	430,004.960'45 4.097,509.757'65	362,458.087'25 3.761,082.399'45	322,928.857'55 3.452,514.404'25
974,078.652'01 —	1.051,748.610'15 —	773,436.601'60 —	545,699.516'75 —
42,915.345'24 —	67,202.395'70 —	17,454.450'85 —	58,507.566'90 —
7,009.725'32 83,043.004'50	7,424.247'70 82,910.740'50	515.105'75 79,200.000'—	8,866.847'60 79,243.400'—
9.839,982.904'65	10.040,976.607'25	9.645,542.614'20	9 197,947.339'15
1932	1933	1934	1935
1.709,239 543'50 —	1.707,781.841'40 —	2.680,487.850'35 266.086'10	2.691,224.733'50 —
2,957.838'60 1.012,149.504'60	2,551.525'30 909,184 770'40	3,558.807'35 244,838 570'60	2,057.377'20 90,216.572'15
9,707.339'05 80,725'60	5,950.692'90 86,144'50	1,532.774'90 16,306'70	1,053.477'35 22,056'85
37,098.949'25 60,956.008'—	29,522.670'60 119,817.373'20	48,857.612'65 171,442.192'80	46,230.023'85 173,006.865'—
1.067,084.330'15 71,547.763'95	1.174,438.188'40 59,559.875'90	844,374.250'55 47,720.351'70	554,056.633'10 47,596.764'55
199,734.430'55 336,860.500'—	55,661.566'15 460,987.490'—	64,294.524'75 422,430.320'—	12,070.781'25 730,906.170'—
83,294.982'50 17,364.492'45	93,144.784'60 17,103.642'70	93,374.011'50 16,849 342'45	96,017.576'25 16,958.679'40
8,102.390'10 4,539.489'30	8,628.181'85 3,886.683'85	7,882.014'20 3,351.253'—	7,569.322'25 3,128.602'15
—	—	—	—
2.686,550.473'15 89,038.414'80	2.593,472.593'— 108,312.738'55	2.094,786.997'30 148,981.567'85	2.046,213.671'65 135,015.773'85
82,282.429'55 —	62,173.118'75 —	254,136.728'25 —	43,175.385'— 311,446.836'50
801.435'— 77,841.000'—	2,784.915'05 77,841.000'—	3,004.890'90 77,841.000'—	2,857.645'40 77,841.000'—
7.557,232.040'10	7 492,889.797'10	7.230,027.453'90	7.088,665.947'25

## SUMMARY OF BALANCE-SHEETS

Liabilities	1926
Share capital . . . . .	406,800,000'—
Capital reserve fund . . . . .	—
Reserve fund according to Sect. 135 of the Bank Law . .	—
Special reserve fund according to act III. of the Amend- ment of the Bank Law No. 102/25 . . . . .	5,570,740'31
Bank-notes in circulation . . . . .	8,202,593,910'90
Cheque and current accounts . . . . .	993,332,818'53
Correspondents of foreign bills department in Ké . . . .	6,865,024'18
Blocked Treasury Bills taken over from the Austro- Hungarian Bank . . . . .	1,840,000'—
Bank Office (in liquidation) of the Ministry of Finance .	73,463'70
Liabilities suspense account of liabilities abroad . . . .	—
Building fund . . . . .	—
State Gold Fund . . . . .	—
Other liabilities . . . . .	13,283,952'22
Suspense liabilities (interest due in coming year, already collected in current year) . . . . .	4,887,439'24
Item as per contra . . . . .	69,533,931'58
Net profit . . . . .	31,519,247'—
	9,736,300,527'66
Liabilities	1931
Share capital . . . . .	405,000,000'—
Capital reserve fund . . . . .	1,800,000'— *
Reserve fund according to Sect. 135 of the Bank Law . .	8,893,951'95
Special reserve fund according to act III. of the Amend- ment of the Bank Law No. 102/25 . . . . .	20,000,000'—
Bank-notes in circulation . . . . .	7,679,169,656'10
Cheque and current accounts . . . . .	360,624,565'60
Correspondents of foreign bills department in Ké . . . .	41,255,274'25
Blocked Treasury Bills taken over from the Austro- Hungarian Bank . . . . .	60,000'—
Bank Office (in liquidation) of the Ministry of Finance .	—
Liabilities suspense account of liabilities abroad . . . .	33,763,750'—
Building fund . . . . .	10,000,000'—
State Gold Fund . . . . .	31,873,855'90
Other liabilities . . . . .	47,583,454'30
Suspense liabilities (interest due in coming year, already collected in current year) . . . . .	18,636,567'95
Item as per contra . . . . .	77,841,000'—
Net profit . . . . .	33,765,098'15
	8,770,267,174'20

\* Law No. 166/1929, Par. 7

FOR THE YEARS 1926—1935

1927	1928	1929	1930
406,800.000'—	406,800.000'—	405,000.000'—	405,000.000'—
—	—	1,800.000'— *	1,800.000'—
711.125'—	2,130.416'65	4,133.279'25	7,181.342'75
23,694.614'31	29,616.511'55	69,488.341'85	94,575.869'30
8,417,262.770'50	8,465,908.103'20	8,229,511.502'90	7,823,690.914'50
823,364.992'20	867,276.941'85	699,782.203'20	572,198.641'55
23,351.894'42	6,297.894'05	5,443.428'05	37,410.618'10
1,107.000'—	446.000'—	315.000'—	65.000'—
78.569'99	—	—	—
—	—	—	67,409.460'—
—	—	5,000.000'—	10,000.000'—
—	—	28,891.369'25	30,404.069'30
5,696.476'46	88,419.526'35	19,759.457'30	13,368.908'70
4,771.540'62	4,293.946'50	6,342.497'60	3,142.397'75
83,043.004'50	82,910.740'50	79,200.000'—	79,243.400'—
50,100.916'65	86,876.526'60	90,875.534'80	52,456.717'20
9,839,982.904'65	10,040,976.607'25	9,645,542.614'20	9,197,947.339'15
1932	1933	1934	1935
405,000.000'—	405,000.000'—	405,000.000'—	405,000.000'—
1,800.000'—	1,800.000'—	1,800.000'—	1,800.000'—
9,826.501'75	10,284.299'20	10,884.945'—	11,111.272'10
20,618.676'45	34,679.277'45	50,676.666'35	63,091.769'90
6,266,768.279'—	5,905,544.241'50	5,640,241.483'—	5,761,402.267'—
602,054.261'65	870,592.374'35	765,764.320'40	411,092.168'80
53,440.365'65	39,395.444'05	57,699.293'40	128,181.229'90
45.000'—	45.000'—	45.000'—	25.000'—
—	—	—	—
10,293.472'25	10,515.430'55	10,665.985'60	10,665.985'60
33,622.728'65	35,110.430'45	43,572.494'50	44,036.425'80
9,344.901'85	68,133.747'20	128,097.003'55	140,590.807'65
14,334.078'30	4,683.624'15	4,201.841'05	3,739.391'65
77,841.000'—	77,841.000'—	77,841.000'—	77,841.000'—
52,242.774'55	29,264.928'20	33,537.421'05	30,088.628'85
7,557,232.040'10	7,492,889.797'10	7,230,027.453'90	7,088,665.947'25

\* Law No. 166/1929, Par. 7

# PROFIT AND LOSS ACCOUNT

L o s s	1926
To expenses of administration . . . . .	23,766.221'84
To printing of bank-notes . . . . .	3,216.023'21
Allocation in honour of the 80th birthday of T.G. Masaryk . . . . .	—
To interest on blocked Treasury Bills and on deposits . . . . .	103.172'40
Revolving Credit — Bank's share of cost . . . . .	1,715.537'73
Purchase and sale of precious metals . . . . .	26,242.209'12
Exchange difference on balances abroad . . . . .	—
Cost of repatriation and refining of gold . . . . .	—
To depreciation on premises . . . . .	1,060.023'20
To depreciation on bank-note printing office . . . . .	—
To depreciation on furniture and fittings . . . . .	399.383'25
To depreciation on furniture and fittings of the printing office . . . . .	—
To the exchange difference on balances abroad, gold and foreign currencies transferred to the "Special Reserve Fund" . . . . .	5,570.740'31
Share of State in profits for I Quarter of 1926 . . . . .	5,000.000'—
Contribution to Pensions Fund according to § 136 of the Bank Law . . . . .	2,500.000'—
To net profits . . . . .	31,519.247'—
	101,092.558'06
L o s s	1931
To expenses of administration . . . . .	34,494.715'60
To printing of bank-notes . . . . .	6,022.836'50
Allocation in honour of the 80th birthday of T.G. Masaryk . . . . .	—
To interest on blocked Treasury Bills and on deposits . . . . .	1,347.783'85
Revolving Credit — Bank's share of cost . . . . .	—
Purchase and sale of precious metals . . . . .	—
Exchange difference on balances abroad . . . . .	* 17,342.223'40
Cost of repatriation and refining of gold . . . . .	—
To depreciation on premises . . . . .	1,025.330'15
To depreciation on bank-note printing office . . . . .	361.147'—
To depreciation on furniture and fittings . . . . .	1,131.589'—
To depreciation on furniture and fittings of the printing office . . . . .	897.309'80
To the exchange difference on balances abroad, gold and foreign currencies transferred to the "Special Reserve Fund" . . . . .	—
Share of State in profits for I Quarter of 1926 . . . . .	—
Contribution to Pensions Fund according to § 136 of the Bank Law . . . . .	—
To net profits . . . . .	33,765.098'15
	96,388.033'45
* Exchange losses on assets abroad . . . . .	91,918.092'70
By Special Reserve Fund . . . . .	74,575.869'30

FOR THE YEARS 1926—1935

1927	1928	1929	1930
27,449.270'71	28,942.622'05	32,516.410'—	34,604.816'35
6,481.136'20	6,708.354'65	10,660.050'40	5,443.113'10
—	—	—	5,000.000'—
—	32.654'10	900.499'30	2,767'003'40
—	—	—	—
—	—	3,170.640'65	7,838.705'25
—	2,129.401'10	—	—
—	—	—	606.258'30
1,095.394'97	1,106.490'15	1,089.119'95	1,134.948'90
399.310'61	400.393'95	397.104'10	368.307'70
493.662'15	840.004'15	1,309.321'90	1,084.182'65
—	—	—	—
283.058'90	782.381'75	1,238.954'55	945.377'75
—	—	—	—
18,123'874'—	5,921.897'25	7,871.830'30	—
—	—	—	—
—	—	—	—
50,100.916'65	86,876'526'60	90.875.534'80	52,456.717'20
—	—	—	—
104,426.624'19	133,740.725'75	150,029.465'95	112,249.430'60
1932	1933	1934	1935
37,999.048'35	38,625.886'90	36,601.893'35	36,779.192'20
6,961.483'40	4,759.779'25	4,657.725'70	4,756.171'05
—	—	—	—
1,612.619'50	2,119.826'50	1,397.959'20	332.611'20
—	—	—	—
—	—	—	—
2,967.095'20	—	—	—
—	—	—	—
1,380.481'95	1,340.077'05	1,383.692'45	1,413.275'80
354.377'40	260.461'55	256.588'95	222.142'40
1,399.072'—	1,522.620'35	1,420.153'30	1,335.762'75
—	—	—	—
801.086'35	685.885'40	591.397'60	552.106'25
—	—	—	—
—	3,060.601'—	15,997.388'90	12,415.103'55
—	—	—	—
—	—	—	—
52,242.774'55	29,264.928'20	33,537.421'05	30,088.628'85
—	—	—	—
105,718.038'70	81,640.066'20	95,844.220'50	87,894.994'05

# PROFIT AND LOSS ACCOUNT

P r o f i t		1926		
By profits brought forward from the preceding year		—		
By discount of home bills		16,626.718'80		
By discount of other bills		1,753.082'38		
By discount of securities		1,452.241'12		
By discount of foreign bills		421.765'83		
By advances on security		12,132.607'74		
By interest on balances abroad		58,079.018'05		
By exchange difference on balances abroad, gold and foreign currencies		5,570.740'31		
By transactions on a commission basis and various other transactions		4,978.455'98		
By rent from bank buildings		77.927'85		
By redemption of cost of the foreign exchange control		—		
Yield of Funds		—		
		101,092.558'06		
P r o f i t		1931		
By profits brought forward from the preceding year		182.168'—		
By discount of home bills		25,912.173'85		
By discount of other bills		5,357.063'05		
By discount of securities		8,046.661'20		
By discount of foreign bills		998.729'—		
By advances on security		3,399.078'95		
By interest on balances abroad		49,781.747'10		
By exchange difference on balances abroad, gold and foreign currencies		624.702'10*		
By transactions on a commission basis and various other transactions		1,190.338'30		
By rent from bank buildings		895.371'90		
By redemption of cost of the foreign exchange control		—		
Yield of Funds		—		
		96,388.033'45		
	1926	1927	1928	1929
No. of offices (employees) and pensioners	31/441/97	31/447/107	31/463/112	32/484/118
Average discount rate in the year	5'92 <sup>0</sup> / <sub>100</sub>	5'09 <sup>0</sup> / <sub>100</sub>	5'— <sup>0</sup> / <sub>100</sub>	5'— <sup>0</sup> / <sub>100</sub>
Average rate for advances in the year	6'926—7'426 <sup>0</sup> / <sub>100</sub>	6'09—6'59 <sup>0</sup> / <sub>100</sub>	6'—6'50 <sup>0</sup> / <sub>100</sub>	6'—6'50 <sup>0</sup> / <sub>100</sub>
Average discount rate abroad**	3'— <sup>0</sup> / <sub>100</sub>	2'75 <sup>0</sup> / <sub>100</sub>	3'50 <sup>0</sup> / <sub>100</sub>	3'75 <sup>0</sup> / <sub>100</sub>

\* Exchange and silver.    \*\* Average interest paid on deposits at the National Bank and with its correspondents abroad.

FOR THE YEARS 1926—1935

1927		1928		1929		1930	
16.122'—		389.625'—		325.674'—		817.981'30	
3,175.640'96		6,085.893'85		13,620.017'20		9,478.201'—	
875.990'10		2,242.218'90		5,040.532'25		2,854.780'35	
453.871'45		4,253.258'95		11,196.550'20		2,437.589'40	
195.620'40		1,540.168'35		2,014.995'05		554.051'25	
1,175.966'78		1,537.230'05		4,293.530'—		1,525.173'45	
75,300.472'24		107,131.212'15		105,125.754'20		93,066.213'45	
18,123.874'—		5,921.897'25		7,871.830'30		—	
4,803.640'28		4,278.235'15		232.447'50		450.564'85	
305.425'98		360.986'10		308.135'25		1,064.875'55	
—		—		—		—	
—		—		—		—	
104,426.624'19		133,740.725'75		150,029.465'95		112,249.430'60	
1932		1933		1934		1935	
88.588'35		848.497'10		418.435'40		213.678'95	
49,912.784'70		35,906.468'45		30,459.607'75		25,452.437'85	
5,930.630'05		2,265.062'20		1,770.015'15		1,991.354'60	
4,057.516'25		2,416.626'—		661.392'85		156.091'50	
1,094.928'15		307.568'65		300.446'65		53.174'85	
20,425.442'75		24,360.558'05		31,139.637'10		20,286.909'60	
20,490.260'65		8,240.801'15		1,850.325'60		1,659.706'50	
—		3,060.601'—		15,997.388'90		12,415.103'55	
2,381.915'95		2,886.260'35		5,355.681'35		20,737.844'45	
1,335.971'85		1,347.623'25		1,293.571'90		1,497.877'95	
—		—		6,597.717'85		1,364.802'40	
—		—		—		2,066.011'85	
105,718.038'70		81,640.066'20		95,844.220'50		87,894.994'05	
1930	1931	1932	1933	1934	1935		
33/498/120	33/542/119	33/570/124	35/595/129	35/610/137	35/658/146		
					3'50 <sup>0</sup> / <sub>0</sub>		
4'43 <sup>0</sup> / <sub>0</sub>	4'80 <sup>0</sup> / <sub>0</sub>	5'15 <sup>0</sup> / <sub>0</sub>	3'56 <sup>0</sup> / <sub>0</sub>	3'50 <sup>0</sup> / <sub>0</sub>	4'81(5'— <sup>0</sup> / <sub>0</sub> )5'31(5'50 <sup>0</sup> / <sub>0</sub> )		
5'69—6'19 <sup>0</sup> / <sub>0</sub>	5'72—6'22 <sup>0</sup> / <sub>0</sub>	6'51—7'01 <sup>0</sup> / <sub>0</sub>	5'53—6'03 <sup>0</sup> / <sub>0</sub>	5'03—5'53 <sup>0</sup> / <sub>0</sub>	advances on export bills up to 6 months		
3'35 <sup>0</sup> / <sub>0</sub>	2'50 <sup>0</sup> / <sub>0</sub>	1'75 <sup>0</sup> / <sub>0</sub>	—'75 <sup>0</sup> / <sub>0</sub>	—'33 <sup>0</sup> / <sub>0</sub>	—'33 <sup>0</sup> / <sub>0</sub>		



## SUMMARY OF FUNDS

	1926	1927	1928	1929
Status on 31 December				
Reserve Funds:				
Reserve fund according to Sec. 135 of the Bank Act . . . . .	—	711.125'—	2,130.416'65	4,133.279'25
Capital reserve fund . .	—	—	—	1,800.000'—
Special reserve fund according to Art. III of the Amendment of the Bank Act No. 102/1925 .	—	23,694.614'31	29,616.511'55	69,488.341'85
Building fund . . . . .	—	—	—	5,000.000'—
Social Funds:				
The Dr. Alois Rašín Sickness Insurance Fund .	1,000.000'—	1,000.000'—	3,000.000'—	3,011.147'90
Extra allocation to Old Age Fund for employees of the Bank-note Printing Office . . . . .	—	—	—	—
Employees' Pension Fund, according to par. 136 of the Bank Act . .	32,093.626'09	44,122.837'82	51,410.654'75	58,096.145'25

## SUMMARY OF DIVIDENDS AND

	1926	1927	1928	1929
Coupon No. . . . .	1	2	3	4
Paid in Kč . . . . .	230'—	255'—	275'—	290'—
Approximately in % . . .	6'75	7'50	8'10	8'59
Total sum paid in dividend and super-dividend in Kč . . . . .	27,600.000'—	30,600.000'—	33,000.000'—	34,800.000'—

FOR 1926—1935

1930	1931	1932	1933	1934	1935
7,181.342'75	8,893.951'95	9,826.501'75	10,284.299'20	10,884.945'—	11,111.272'10
1,800.000'—	1,800.000'—	1,800.000'—	1,800.000'—	1,800.000'—	1,800.000'—
94,575.869'30	20,000.000'—	20,618.676'45	34,679.277'45	50,676.666'35	63,091.769'90
10,000.000'—	10,000.000'—	10,293.472'25	10,515.430'55	10,665.985'60	10,665.985'60
4,379.025'—	3,292.737'25	2,778.827'70	3,994.301'—	4,196.111'05	4,196.111'05
1,029.222'—	1,961.423'90	2,317.588'—	3,022.607'55	4,044.201'85	4,770.457'85
66,799.707'45	69,775.535'55	75,415.137'20	76,672.150'25	90,064.626'40	102,149.984'65

SUPER-DIVIDENDS FOR 1926—1935

1930	1931	1932	1933	1934	1935
5	6	7	8	9	10
280'—	235.—	240'—	210'—	210'—	202'50
8'296	6'963	7'111	6'222	6'222	6'—
33,600.000'—	28,200.000'—	28,800.000'—	25,200.000'—	25,200.000'—	24,300.000'—

# TURNOVER OF CASHIER'S DEPARTMENTS

Title of account	1926
Bank-notes and notes in transit . . . . .	12.932,450.647'—
Small notes . . . . .	—
Purchase and sale of bullion . . . . .	296,373.456'68
"    "    "    " foreign currencies . . . . .	259,337.767'30
"    "    "    " balances abroad . . . . .	72,538,892.110'11
Discount of foreign bills of exchange . . . . .	49,704.775'10
Discount of bills . . . . .	3,521,291.821'20
Discount of securities . . . . .	610,725.000'—
Secured advances . . . . .	5,760,409.037'93
Securities for collection . . . . .	852,492.843'39
Turnover on cheque accounts . . . . .	107,583,024.032'83
Other transactions . . . . .	71,960,239.823'28
Turnover on accounts of foreign correspondents in Kč . . . . .	284,911.586'08
Turnover on collection accounts . . . . .	—
Total . . . . .	276,649,852.900'90
Title of account	1931
Bank-notes and notes in transit . . . . .	22,725,880.696'90
Small notes . . . . .	—
Purchase and sale of bullion . . . . .	491,836.079'70
"    "    "    " foreign currencies . . . . .	293,039.671'20
"    "    "    " balances abroad . . . . .	49,048,580.886'95
Discount of foreign bills of exchange . . . . .	169,269.501'30
Discount of bills . . . . .	7,724,665.035'60
Discount of securities . . . . .	3,369,479.823'—
Secured advances . . . . .	751,202.720'—
Securities for collection . . . . .	1,216,706.259'10
Turnover on cheque accounts . . . . .	114,548,283.024'10
Other transactions . . . . .	33,204,081.224'10
Turnover on accounts of foreign correspondents in Kč . . . . .	1,901,812.965'75
Turnover on collection accounts . . . . .	—
Total . . . . .	235,444,337.887'70

# IN THE YEARS 1926—1935

1927	1928	1929	1930
21.310.003.495'90	18.158,960.947'70	13.868,960.102'40	18.462,792.994'80
—	—	—	—
277.350.728'54	470.676.881'08	344,148.854'20	796,544.069'20
207.210.674'70	221.022.265'90	229.366.835'40	257,262.845'90
85.030,438.895'23	90.760,637.540'69	54.524,001.245'05	59.233,038.314'30
35,813.824'96	278.598.588'90	286,592.578'45	98,906.409'95
1.124,548.527'72	2.666,435.312'41	5.133,743.301'45	4.000,387,168'20
451,020.000'—	2.069,600.000'—	4.374,097.237'65	1.887,703.437'65
85,952.811'25	225,191'770'—	1 008,083.980'—	329,046.930'—
1.431,705.953'65	1.895,506.498'73	2.453,010.536'10	1.339,614.354'50
114.332,230.951'76	120.256,439.071'14	127.358,798.104'95	113.114,801.029'20
54.082,705.814'13	56.736.947.306'55	39.031,430.265'—	36.175,931.948'30
608,152.833'56	539.444.569'59	1.241,111.554'30	1.119,907,799'75
—	—	—	—
278.977,134.561'40	294.279,460.752'69	254.853,344.594'95	236.815,937.201'75
1932	1933	1934	1935
14.106,424.117'90	20.273,532.843'50	13.561,223.496'80	28.312,970.639'50
2.038,810.106'10	2.889,852.916'10	2.219,257.099'20	1.648,540.183'50
175,583.061'10	28,958.787'—	1.997,099.032'40	1.511,035.110'60
237,918.583'50	131,729.147'80	386,362.416'—	294,341.075'90
22 448,873.119'50	26.288,798.720'25	20.143,731.340'80	36.612,564.896'60
145,942.888'45	53,586.312'50	37,792.415'10	10,766.446'75
12.531,063.267'05	11.028,203.098'40	9.892,639.685'75	7.705,124.346'50
2.181,965.253'55	1.368,943.933'50	585,221.993'10	178,365.306'—
13.237,405.060'—	7.847,834.810'—	9.498,318.970'—	4.735,417.299'30
239,185.229'25	68,574.384'70	81,580.653'40	64,627.107'75
105.174,296.172'15	90.781,012.017'60	85.459,746.498'65	84.792,411.411'80
26.941,938'828'20	26.689,094.927'30	27.380,196.999'05	44.997,362.403'20
2.276,573.925'60	1.653,698.256'20	1.835,554.225'05	2.018,815.096'70
—	—	8.671,489.372'85	8.009,599.437'55
201.735,979.612'35	189.103,810.154'85	181.750,214.198'15	220.891,940.761'65

# SURVEY OF WEEKLY STATEMENTS AT THE CLOSE OF

ASSETS In thousands

	Gold and silver holdings	Balances abroad and foreign currencies	Other cash	Discounted		Advances on collateral	Situation	
				Bills	Securities		State note debt balance	Assets of the Banking Office in liquidation, in charge of the National Bank
31 March 1926	1,074,181	1,202,853	9,297	192,592	19,795	68,560	4,965,467	703,714
30 June	1,041,346	1,283,796	1,883	111,368	26,000	64,480	4,898,739	677,393
30 September	1,029,169	1,491,235	10,725	133,258	5,260	61,297	4,876,029	654,986
31 December	1,037,422	2,082,815	8,002	173,010	31,000	57,123	4,812,654	585,211
31 March 1927	1,049,645	1,897,460	23,356	47,307	—	37,594	4,745,455	562,405
30 June	1,053,479	1,815,347	31,991	55,042	60,510	28,336	4,689,414	539,891
30 September	1,056,871	2,131,712	35,824	74,850	42,500	24,963	4,628,235	521,757
31 December	1,108,236	2,424,047	34,001	73,756	29,000	22,867	4,444,253	497,600
31 March 1928	1,117,890	1,826,553	48,019	114,578	112,000	23,323	4,361,818	484,437
30 June	1,118,530	1,890,173	44,869	229,501	239,575	46,585	4,305,121	469,494
30 September	1,159,255	2,092,172	37,750	236,693	206,965	29,148	4,145,074	449,883
31 December	1,199,499	2,509,853	22,837	293,122	119,000	71,047	4,097,510	430,005
31 March 1929	1,206,189	1,780,797	34,162	318,932	207,800	69,064	4,037,568	422,145
30 June	1,206,391	1,780,573	43,441	451,194	307,630	102,529	3,973,826	404,739
30 September	1,205,480	1,838,287	37,220	631,716	399,920	115,753	3,928,105	392,547
31 December	1,258,398	2,269,505	21,893	525,734	395,717	89,464	3,761,082	362,458
31 March 1930	1,261,942	1,906,820	22,131	287,101	293,600	58,448	3,699,260	352,365
30 June	1,312,846	2,134,954	15,802	368,850	19,523	44,654	3,644,133	342,716
30 September	1,413,298	2,422,872	32,569	199,662	69,500	15,157	3,519,928	330,803
31 December	1,545,203	2,447,177	63,973	360,447	133,190	31,608	3,452,514	322,929
31 March 1931	1,542,092	2,199,268	101,575	142,055	11,000	10,146	3,363,886	315,032
30 June	1,540,101	1,920,953	120,946	400,819	78,260	20,748	3,303,102	312,690
30 September	1,520,298	1,177,197	7,866	1,126,197	446,960	148,442	3,257,838	299,512
31 December	1,648,793	1,059,915	10,627	1,682,039	476,831	156,681	3,121,403	294,214
31 March 1932	1,642,861	784,024	16,906	927,106	194,200	310,744	3,059,255	288,534
30 June	1,640,675	1,046,887	22,795	1,064,150	105,800	472,639	2,733,331	—
30 September	1,659,014	1,097,817	46,341	1,053,585	23,300	550,996	2,700,883	—
31 December	1,708,002	1,029,032	98,055	1,138,632	199,734	336,861	2,686,572	—
31 March 1933	1,707,886	1,004,574	164,391	926,203	48,923	638,765	2,644,312	—
30 June	1,706,863	947,330	148,927	1,236,425	170,761	606,840	2,620,666	—
30 September	1,707,201	922,273	128,889	1,023,059	15,852	704,788	2,608,470	—
31 December	1,707,077	926,186	149,340	1,233,998	55,662	460,987	2,593,473	—
31 March 1934	2,660,999*	64,490	261,642	865,815	36,671	659,966	2,144,665	—
30 June	2,662,579	12,590	236,797	895,411	7,321	545,775	2,128,143	—
30 September	2,665,080	88,832	205,385	898,855	53,800	593,109	2,113,695	—
31 December	2,680,421	229,354	220,300	892,095	64,295	422,430	2,094,787	—
31 March 1935	2,683,772	290,969	256,127	773,002	—	350,665	2,086,803	—
30 June	2,691,099	324,645	265,439	757,051	35,000	345,809	2,072,407	—
30 September	2,692,258	104,182	233,090	866,052	—	299,066	2,059,141	—
31 December	2,690,447	80,521	219,237	601,653	12,071	730,906	2,046,214	—

## EACH QUARTER, 1926—1935.

of Kc

## LIABILITIES

Situation	Other assets	Total assets	Share capital	Re-serve funds	Bank notes in circulation	Cheque account balances and other sums due at sight	Other maturities: Cash vouchers in circulation	Other liabilities	Total liabilities
5.669,181	490,086	8.726,545	406,800	—	7.147,374	932,876	3,512	235,983	8.726,545
5.576,132	505,191	8.610,196	406,800	—	7.219,962	685,418	3,331	294,685	8.610,196
5.531,015	861,875	9.123,834	406,800	—	7.510,291	901,680	2,556	302,507	9.123,834
5.397,865	1.006,323	9.793,560	406,800	—	8.202,594	881,749	1,840	300,577	9.793,560
5.307,860	564,144	8.927,366	406,800	6,282	7.028,041	1.261,728	1,309	223,206	8.927,366
5.229,305	415,443	8.689,453	406,800	6,282	7.118,445	890,269	1,216	266,441	8.689,453
5.149,992	545,937	9.062,649	406,800	6,282	7.650,227	699,404	1,138	298,798	9.062,649
4.941,853	1.236,540	9.870,300	406,800	6,282	8.417,263	689,865	1,107	348,983	9.870,300
4.846,255	422,343	8.510,961	406,800	25,825	7.395,628	411,460	517	270,731	8.510,961
4.774,615	533,816	8.877,664	406,800	25,825	7.583,612	537,564	460	323,403	8.877,664
4.594,957	725,495	9.082,381	406,800	25,825	7.806,458	590,396	447	252,455	9.082,381
4.527,515	1.323,600	10.066,473	406,800	25,825	8.465,908	829,728	446	337,766	10.066,473
4.459,713	296,179	8.372,836	406,800	65,794	7.333,033	349,651	441	217,117	8.372,836
4.378,565	478,265	8.748,588	406,800	65,794	7.612,183	415,139	399	248,273	8.748,588
4.320,652	360,454	8.909,482	406,800	65,794	7.697,359	475,235	375	263,919	8.909,482
4.123,540	1.006,277	9.690,528	405,000	67,594	8.229,512	674,845	315	313,262	9.690,528
4.051,625	248,974	8.130,641	405,000	103,388	7.010,801	416,565	168	194,719	8.130,641
3.986,849	485,700	8.369,178	405,000	103,388	7.195,684	438,624	168	226,314	8.369,178
3.850,731	628,572	8.378,501	405,000	103,388	7.198,342	574,590	160	350,881	8.632,361
3.775,443	824,378	9.181,419	405,000	103,388	7.823,691	569,766	65	279,509	9.181,419
3.678,918	678,415	8.363,469	405,000	105,911	6.698,906	828,027	60	325,565	8.363,469
3.615,792	727,752	8.425,371	405,000	105,911	6.988,452	391,642	60	534,306	8.425,371
2.567,350	394,191	8.378,501	405,000	105,911	7.172,261	308,717	60	386,552	8.738,501
3.415,617	456,418	8.906,921	405,000	105,911	7.679,170	360,625	60	356,155	8.906,921
3.347,789	548,583	7.772,213	405,000	31,571	6.825,997	278,757	60	230,828	7.772,213
—	343,740	7.430,067	405,000	31,571	6.409,918	348,426	60	235,092	7.430,067
—	394,782	7.526,718	405,000	31,571	6.218,337	579,106	60	292,644	7.526,718
—	412,779	7.609,667	405,000	31,571	6.266,768	602,054	45	304,229	7.609,667
—	397,152	7.532,206	405,000	44,339	6.272,381	600,540	—	209,946	7.532,206
—	461,619	7.899,431	405,000	44,339	6.567,982	509,145	—	372,965	7.899,431
—	510,706	7.621,238	405,000	44,339	6.310,158	499,997	—	361,744	7.621,238
—	413,314	7.540,037	405,000	44,339	5.905,544	870,592	—	314,562	7.540,037
—	444,379	7.138,627	405,000	47,010	5.543,912	696,838	—	445,867	7.138,627
—	470,203	6.958,819	405,000	47,010	5.523,614	629,605	—	353,590	6.958,819
—	674,198	7.292,954	405,000	47,010	5.589,218	730,017	—	521,709	7.292,954
—	637,185	7.240,867	405,000	47,010	5.640,241	765,764	—	382,852	7.240,867
—	725,267	7.166,605	405,000	63,588	5.560,411	796,163	—	341,443	7.166,605
—	879,470	7.370,920	405,000	63,588	5.779,753	742,281	—	380,298	7.370,920
—	835,103	7.088,892	405,000	63,588	5.730,466	412,272	—	477,566	7.088,892
—	737,424	7.118,473	405,000	63,588	5.761,402	411,092	—	477,391	7.118,473

## SUMMARY OF THE MOVEMENT

	Gold		
	Movement in the course of the year and profit (loss) appearing in the returns		Status of year Balance-
	net weight kg	Kč	net weight kg
Status on 31 December 1925 .	—	—	18.862'04946
In 1926 purchased . . . . .	129'69190	4.668.513'53	—
In 1926 sold . . . . .	49'83605	1,161.681'01	—
Profit (+) on 31 December 1926 .	—	+ 41.775'44	—
Status on 31 December 1926 .	—	—	18.941'90531
In 1927 purchased . . . . .	3.837'73130	86,107.568'55	—
In 1927 sold . . . . .	77'80405	1,772.925 —	—
Loss (—) on 31 December 1927 .	—	— 197.925'27	—
Status on 31 December 1927 .	—	—	22.701'83256
In 1928 purchased . . . . .	6.694'96360	149.832.123'93	—
In 1928 sold . . . . .	62'73050	1,422.783 96	—
Profit (+) on 31 December 1928 .	—	+ 321.423'10	—
Status on 31 December 1928 .	—	—	29.334'06566
In 1929 purchased . . . . .	5.283'22050	118.308.559'85	—
In 1929 sold . . . . .	866'72300	19,455.910'10	—
Profit (+) on 31 December 1929 .	—	+ 1,236.501'05	—
Status on 31 December 1929 .	—	—	33.750'56316
In 1930 purchased . . . . .	15.030'85009	337,164.926'20	—
In 1930 sold . . . . .	2.363'90346	53,042.670'05	—
Profit (+) on 31 December 1930 .	—	+ 17.417 05	—
Status on 31 December 1930 .	—	—	46.417'50979
In 1931 purchased . . . . .	7.540'29515	168,477.891'30	—
In 1931 sold . . . . .	129'13927	2,903.202'90	—
Profit (+) on 31 December 1931 .	—	+ 669.274 80	—
Status on 31 December 1931 .	—	—	53.828'66567
* In 1932 purchased . . . . .	33.626'95485	753,294.603'10	—
* In 1932 sold . . . . .	28.527'88887	639,925.276'75	—
Profit (+) on 31 December 1932 .	—	+ 1,010.798'80	—
Status on 31 December 1932 .	—	—	58.927'73165
* In 1933 purchased . . . . .	12.974'04991	290,469.198'45	—
* In 1933 sold . . . . .	9.795'75177	219,734.794'90	—
Profit (+) on 31 December 1933 .	—	+ 559.857'10	—
Status on 31 December 1933 .	—	—	62.106'02979
* In 1934 purchased . . . . .	27.052'02949	1 006,792.616'75	—
* In 1934 sold . . . . .	3.836'27034	103,265.507'40	—
Profit (+) on 31 December 1934 .	—	+ 19.704'—	—
Status on 31 December 1934 .	—	—	85.321'78894
* In 1935 purchased . . . . .	12.132'75295	326 450 080'—	—
* In 1935 sold . . . . .	10.638 67024	286,377.425'15	—
Profit (+) on 31 December 1935 .	—	+ 144.914 75	—
Status on 31 December 1935 .	—	—	86.815'87165

\* Inclusive of all transfers to deposits abroad

# OF GOLD IN 1926—1935

Bullion	Gold Coin			Total of Gold Bullion and Coin at the end of the year	
at end as per Sheet	Movement in the course of the year and profit (loss) appearing in the returns	Status at end of year as per Balance-Sheet			
Kč	Kč	net weight kg	Kč	net weight kg	Kč
420,573.341'29	—	21.984'06694	490,185.995'31	40.846'11640	910,759.336'60
—	7,517.421'—	—	—	—	—
—	5,448.129'88	—	—	—	—
—	+ 117.338'34	—	—	—	—
424,121.949'25	—	22.015.67699	492,372.624'77	40.957'58230	916,494.574'02
—	5,130.876'60	—	—	—	—
—	973.406'26	—	—	—	—
—	— 156.733'05	—	—	—	—
508,258.667.53	—	22.204'28904	496,373.362'06	44.906'12160	1.004,632.029'59
—	4,411.101'90	—	—	—	—
—	1,156.248'01	—	—	—	—
—	+ 54.007'95	—	—	—	—
656,989.430'60	—	22.352'58444	499,682.223'90	51.686'65010	1.156,671.654'50
—	4,355.906'80	—	—	—	—
—	1,481.721'25	—	—	—	—
—	+ 1,793.865.15	—	—	—	—
757,078.581'40	—	22.483'93524	504,350.274'60	56.234'49840	1.261,428.856'—
—	3,858.355'40	—	—	—	—
—	4,206.082'95	—	—	—	—
—	— 623.675'35	—	—	—	—
1.041,218.254'60	—	22.440'63010	503,378.871'70	68.858'13989	1.544,597.126'30
—	6,579.251'20	—	—	—	—
—	67,957.694'45	—	—	—	—
—	+ 436.668'90	—	—	—	—
1.207,462.217'80	—	19.723'84580	442,437.097'35	73.552'51147	1.649,899.315'15
—	7,659.604'75	—	—	—	—
—	62,926.644'75	—	—	—	—
—	+ 227.143'20	—	—	—	—
1.321,842.342'95	—	17.270'16720	387,397.200'55	76.197'89885	1.709,239.543'50
—	2,473.317'40	—	—	—	—
—	75,370.206'15	—	—	—	—
—	+ 144.926'—	—	—	—	—
1.393,136.603'60	—	14.026'88470	314,645.237'80	76.132'91449	1.707,781.841'40
—	74,801.876'30	—	—	—	—
—	5,689.515'75	—	—	—	—
—	+ 46.835'05	—	—	—	—
2.296,683.416'95	—	14.258'33470	383,804.433'40	99.580'12364	2.680,487.850'35
—	5,788.175'05	—	—	—	—
—	35,901.875'10	—	—	—	—
—	+ 633.013'60	—	—	—	—
2.336,900.986'55	—	13.163'12720	354,323.746'95	99.978'99885	2.691,224.733.50



## PURCHASE AND SALE OF PRECIOUS

	1926
Purchases of specie and bullion . . . . .	34,081,474'53*
Sales of specie and bullion . . . . .	66,462,374'68
Profit ascertained on conversion of stock on 31 December of current year . . . . .	—
Loss ascertained on conversion of stock on 31 December of current year . . . . .	26,242,209'12
Stock shown in balance-sheet on 31 December . . . . .	1,011,179,767'90
* Includes also silver and silver coin.	
	1931
Purchases of specie and bullion . . . . .	175,057,142'50
Sales of specie and bullion . . . . .	70,860,897'35
Profit ascertained on conversion of stocks on 31 December of current year . . . . .	1,105,943'70
Loss ascertained on conversion of stocks on 31 December of current year . . . . .	—
Stock shown in balance-sheet on 31 December . . . . .	1,649,899,315'15

## PURCHASE AND SALE OF FOREIGN

	1926
Purchase of foreign currencies, silver and small coin (inclusive of currency sent abroad) . . . . .	64,215,377'63
Sale of foreign currencies, silver and small coin (inclusive of currency sent abroad) . . . . .	64,705,396'18
On balancing of stock { Profit . . . . .	372,016'43
of foreign currency { Loss . . . . .	—
Stock shown in balance-sheet on 31 December . . . . .	5,850,043'72
	1931
Purchase of foreign currencies, silver and small coin (inclusive of currency sent abroad) . . . . .	61,555,518'75
Sale of foreign currencies, silver and small coin (inclusive of currency sent abroad) . . . . .	78,409,738'20
On balancing of stock { Profit . . . . .	624,702'10
of foreign currency { Loss . . . . .	—
Stock shown in balance-sheet on 31 December . . . . .	9,816,272'70

# METALS IN 1926—1935

1927	1928	1929	1930
117,865.752'47*	158 700.486'37*	123.900.557'60*	341.023.281'60**
20,809.611'80	76.637.954'17	24.051.905'10	57,248.753'—
9,200.179'48	5,798.993'60	—	—
—	—	3,170.640'65	606.258'30
1.117.436.088'05	1.205.297.613'85	1.301,975.625'70	1.544.597.126'30
** The stock of silver and silver coin amounting to Kč 40,546,769.70 was excluded from this account on 1st Jan. 1930 and transferred to the Foreign Currency Account.			
1932	1933	1934	1935
72.946.908'45	6,158.454'15	985,594.493'05†	382,738.255'05
14,844.622'10	8,320.939'35	12,955.023'15	372,779.300'25
1,237.942'—	704.783'10	66.539'05	777.928'35
—	—	—	—
1.709,239.543'50	1.707.781.841'40	2.680,487 850'35	2.691,224.733'50
† Inclusive of Kč 502,157,596.50 from balances abroad converted into gold; and Kč 460,827,612,60 valorised under Act 25 of the year 1934.			

# CURRENCIES IN 1926—1935

1927	1928	1929	1930
50,702.692'57	54,658.658'90	57,587.541'70	59,963.802'10*
52,385.267'57	55,190.631'55	56,182.792'55	71.112.315'—
207.719'68	122.903'65	117.619'75	—
—	—	—	8,840.955'05**
4,375.188'40	3,966.119'40	5,488 488'30	26,045.790'05
* Since 1 January 1930 after transfer of Kč 40,546,769.70 i. e., stocks of silver and silver coins, the purchase of these items is included in the Account "Purchase and Sale of Foreign Currencies". — ** This item transferred to Account "Balances Abroad".			
1932	1933	1934	1935
52,712.204'70	32,682.151'95	97,014.767'60	72,245.750'70
59,802.764'90	33,182.421'95	96.114.368'80	74.478 922'65
232.126'10	93 956'70	372.969'35	465.655'70
—	—	—	—
2,957.838'60	2,551.525'30	3,824'893'45	2,057.377'20

## BALANCES ABROAD AND ADVANCES

	1926
Balances standing to account . . . . .	37.952.496.270'87
Amounts disposed of from the accounts . . . . .	37.065.583.492'04
Transfers of final balances } . . . . . debt . .	2.594.932'45
from other accounts } . . . . . credit . .	3.262.337'57
On conversion of stocks } . . . . . profit . .	5.198.723'88
on 31 December } . . . . . loss . .	—
Stock shown on balance-sheet on 31 December . . . . .	2.076.356.648'71
	1931
Balances standing to account . . . . .	25.209.941.316'25
Amounts disposed of from the accounts . . . . .	26.664.683.753'40
Transfers of final balances } . . . . . debt . .	923.163'10
from other accounts } . . . . . credit . .	74.575.869'30*
	31.112.574'05
On conversion of stocks } . . . . . profit . .	—
on 31 December } . . . . . loss . .	17.342.223'40
Stock shown on balance-sheet on 31 December . . . . .	893.045.093'70

\* Amount met out of the Special Reserve Fund.

## FOREIGN BILLS DISCOUNTED

		1926
Discounted . . . . .	number . . . . .	757
	Kč . . . . .	22,800.144'91
Collected . . . . .	number . . . . .	980
	Kč . . . . .	30,389.282'19
Appearing in balance-sheet	} . . . . .	profit . . . . .
as "Balances Abroad"		loss . . . . .
Stock on 31 December . . . . .	number . . . . .	107
	Kč . . . . .	4,878'400'10
Yield from discount of Foreign Bills . . . . .	č . . . . .	421.765'83
		1931
Discounted . . . . .	number . . . . .	11.161
	Kč . . . . .	94,566.860'50
Collected . . . . .	number . . . . .	7.334
	Kč . . . . .	67,322.501'95
Appearing in balance-sheet	} . . . . .	profit . . . . .
as "Balances Abroad"		loss . . . . .
Stock on 31 December . . . . .	number . . . . .	4.905
	Kč . . . . .	34,699.733'95
Yield from discount of Foreign Bills . . . . .	Kč . . . . .	998.729'—

# IN FOREIGN EXCHANGE IN 1926—1935

1927	1928	1929	1930
44.237,375.013'21	47.639,673.660'45	28.884,660.2'32'10	32.010,014.076'70
43.897,877.617'69	47.597,213.605'14	29.153,749.907'70	31.744,293.948'95
1,138.953'63	766.185'70	870.101'60	8,853.261'65
1,031.871'11	773.786'10	1,185.724'75	188.816'85
8,715.974'84	—	7,754.210'55	—
—	2,129.401'10	—	7,838.705'25
2.424,677.101'59	2.465,000.155'40	2.203,349.167'20	2.469,895.034'50
1932	1933	1934	1935
11.407,851.250'15	13.201,044.606'50	9.741,512.260'20	18.231,473.513'15
11.284,325.275'—	13.295,496.700'95	10.425,936.805'55	18.398,462.883'45
68.678'50	198'15	7,077.333'30	1,240.744'20
1,523.147'55	10,774.699'10	2,556.868'25	44,891'85
—	2,261.861'20	15,557.880'50	11,171.519'50
2,967.095'20	—	—	—
1.012,149.504'60	909,184.770'40	244,838.570'60	90,216.572'15

## IN 1926—1935

1927	1928	1929	1930
1.267	5.448	6.487	4.444
17,419.725'03	153,265.234'75	136,428.180'55	44,146.580'60
1.171	4.170	6.815	4.519
19,303.851'73	117,980.049'15	153,827.361'55	57,051.690'50
9.375'—	—	104.164'65	—
—	55.414'95	—	12.306'60
203	1.481	1.153	1.078
3,003.648'40	38,233.419'05	20,938.402'70	8,020.986'20
195.620'40	1,540.168'35	2,014.995'05	554.051'25
1932	1933	1934	1935
8.145	2.409	1.299	799
63,819.601'10	25,150.272'35	17,301.237'55	5,260.145'75
12.030	2.945	1.607	810
88,865.075'45	28,912.906'40	22,126.193'45	5,734.694'30
53.079'45	5.987'90	407.037'90	—
—	—	—	4.749'—
1.020	484	176	165
9,707'339'05	5,950.692'90	1,532.774'90	1,053.477'35
1,094.928'15	307.568'65	300.446'65	53.174'85

SUMMARY OF DISCOUNT OF LOCAL BILLS,  
in 1926

Local Bills	1926
Discounted . . . . . number	72.249
Kč	1.192,741.817'62
Collected . . . . . number	75.475
Kč	1.752,556.395'70
Stock on 31 December . . . . . number	12.868
Kč	144,048.178'74
Yield of discount of local Bills . . . . . Kč	16,626.718'80
Local Bills	1931
Discounted . . . . . number	207.696
Kč	3.720,369.892'40
Collected . . . . . number	170.883
Kč	2.598,863.581'95
Stock on 31 December . . . . . number	62.517
Kč	1.430,337.873'70
Yield of discount of local Bills . . . . . Kč	25,912.173'85

Remittance Bills	1926
Discounted . . . . . number	24.400
Kč	280,609.970'93
Collected . . . . . number	25.215
Kč	295,383.636'95
Stock on 31 December . . . . . number	2.231
Kč	28,961.811'89
Yield of discount of remittance Bills . . . . . Kč	1,753.082'38
Remittance Bills	1931
Discounted . . . . . number	60.891
Kč	802,758.802'60
Collected . . . . . number	45.136
Kč	602,672.758'65
Stock on 31 December . . . . . number	18.697
Kč	251,701.609'45
Yield of discount of remittance Bills . . . . . Kč	5,357.063'05

REMITTANCES, SECURITIES AND YIELD OF DISCOUNT  
to 1935

1927	1928	1929	1930
25.362	61.795	115.698	123.299
318,255.557'40	1,021,060.314'31	1,844,834.521'10	1,440,843.522'50
32.677	53.093	105.268	122.280
412,614.697'24	830,394.105'41	1,688,107.846'50	1,529,093.881'65
5.553	14.255	24.685	25.704
49,689.038'90	240,355.247'80	397,081.922'40	308,831.563'25
3,175.640'96	6,085.893'85	13,620.017'20	9,478.201'—
1932	1933	1934	1935
292.931	329.038	320.731	254.990
5,430,909.227'40	5,211,066.137'75	4,491,524.151'70	3,398,180.777'70
295.515	314.680	328.331	275.936
5,794,162.770'95	5,103,712.279'50	4,821,588.089'55	3,688,493.395'15
59.933	74.291	66.691	45.745
1,067,084.330'15	1,174,438.188'40	844,374.250'55	554,056.633'10
49,912.784'70	35,906.468'45	30,459.607'75	25,452.437'85
1927	1928	1929	1930
18.682	37.174	53.432	32.045
194,391.919'94	421,840.221'40	838,342.983'55	476,706.683'75
19.125	33.518	51.174	36.805
199,286.353'14	393,140.671'29	762,457.950'30	553,743.080'30
1.788	5.444	7.702	2.942
24,067.378'69	52,766.928'80	128,651.962'05	51,615.565'50
875.950'10	2,242.218'90	5,040.532'25	2,854.780'35
1932	1933	1934	1935
57.431	40.387	33.294	23.708
562,918.711'60	350,718.396'55	283,843.960'15	309,160.793'25
68.205	42.013	34.353	26.467
743,072.557'10	362,706.284'60	295,683.484'35	309,284.380'40
7.923	6.297	5.238	2.479
71,547.763'95	59,559.875'90	47,720.351'70	47,596.764'55
5,930.630'05	2,265.062'20	1,770.015'15	1,991.354'60

SUMMARY OF DISCOUNT OF LOCAL BILLS,  
in 1926

Total Bills (local remittance)	1926
Discounted . . . . . number	96.649
Kč	1.473.351.788'55
Collected . . . . . number	100.690
Kč	2.047,940.032'65
Stock on 31 December . . . . . number	15.099
Kč	173.009.990'63
Yield of discount . . . . . Kč	18,379.801'18
Total Bills (local remittance)	1931
Discounted . . . . . number	268.587
Kč	4.523,128.695'—
Collected . . . . . number	216.019
Kč	3.201,536.340'60
Stock on 31 December . . . . . number	81.214
Kč	1.682,039.483'15
Yield of discount . . . . . Kč	31,269.236'90

Securities	1926
Discounted . . . . . number	2.109
Kč	143,135.000'—
Collected . . . . . number	2.567
Kč	467,590.000'—
Stock on 31 December . . . . . number	31
Kč	31,000.000'—
Yield of discount of securities . . . . . Kč	1,452.241'12
Securities	1931
Discounted . . . . . number	28.819
Kč	1.856,560.323'—
Collected . . . . . number	28.572
Kč	1.512,919.500'—
Stock on 31 December . . . . . number	1.156
Kč	476,830.823'—
Yield of discount of securities . . . . . Kč	8,046.661'20

# REMITTANCES, SECURITIES AND YIELD OF DISCOUNT to 1935

1927	1928	1929	1930
44.044	98.969	169.130	155.344
512,647.477'34	1.442,900.535'71	2.683,177.504'65	1.917,550.206'25
51.802	86.611	156.442	159.085
611,901.050'38	1.223,534.776'70	2.450,565.796'80	2.082,836.961'95
7.341	19.699	32.387	28.646
73,756.417'59	293,122.176'60	525,733.884'45	360,447.128'75
4,051.631'06	8,328.112'75	18,660.549'45	12,332.981'35
1932	1933	1934	1935
350.362	369.425	354.025	278.698
5.993,827.939'—	5.561,784.534'30	4.775,368.111'85	3.707,341.570'95
363.720	356.693	362.684	302.403
6.537,235.328'05	5.466,418.564'10	5.117,271.573'90	3.997,782.775'55
67.856	80.588	71.929	48.224
1.138,632.094'10	1.233,998.064'30	892,094.602'25	601,653.397'65
55,843.414'75	38,171.530'65	32,229.622'90	27,443.792'45

1927	1928	1929	1930
275	4.661	6.660	35.474
224,510.000'—	1.079,800.000'—	2.325,407.237'65	812,588.100'—
277	4.553	6.073	35.289
226,510.000'—	989,800.000'—	2.048,690.000'—	1.075,115.337'65
29	137	724	909
29,000.000'—	119,000.000'—	395,717.237'65	133,190.000'—
453.871'45	4.253.258'95	11,196.550'20	2,437.589'40
1932	1933	1934	1935
3.774	20.776	492	57
952,434.430'55	612,435.534'55	296,927.475'85	63,070.781'25
2.528	3.047	20.595	79
1.229,530.823'—	756,508.398'95	288,294.517'25	115,294.524'75
2.402	20.131	28	6
199,734.430'55	55,661.566'15	64,294.524'75	12,070.781'25
4,057.516'25	2,416.626'—	661.392'85	156.091'50



# GRAIN CREDITS.

Since 1933 the item of discounted bills also includes grain credits of every kind, of which there were:	1933	1934	1935
discounted . . . . . number	13.141	22.046	24.031
Kč	277,056.353'15	1.336,650.438'30	1.616,814.875'05
collected . . . . . number	6.765	20.814	25.472
Kč	85,550.092'20	1.129,509.470'95	1.709,695.568'10
Stock on 31 December . number	6.376	7.608	6.167
Kč	191,506.260'95	398,647.228'30	305,766.535'25

## ADVANCES ON SECURITIES

	1926
New advances . . . . .	2.661,172.920'75
Advances paid off . . . . .	3.099,236.117'18
Status on 31 December . . . . .	57,123.261'25
Yield of advances on securities . . . . .	12,132.607'74
	1931
New advances . . . . .	438,137.900'—
Advances paid off . . . . .	313,064.820'—
Status on 31 December . . . . .	156,680.960'—
Yield of advances on securities . . . . .	3,399.078'95

## COLLECTIONS ON COMMISSION

	1926	1927	1928	1929
For collection on a commission basis there were submitted:				
number	22.271	13.240	11.104	13.281
Kč	425,213.997'66	716,004.998'47	952,192.369'57	1,229,360.520'—

# BILLS (DIRECT DISCOUNT).

The item of discounted bills likewise includes since 1935 directly discounted bills accruing from export and home trade. Of these there were in 1935:

discounted . . . . . number 738 . . Kč 10,001,073'30  
 collected . . . . . number 70 . . Kč 1,151,806'—  
 State on 31 December . . . . number 668 . . Kč 8,849,267'30

## IN 1926 — 1935.

1927	1928	1929	1930
25,848.025'—	136,686.210'—	513,250.560'—	135,595.260'—
60,104.786'25	89,505.560'—	494,833.420'—	193,451.670'—
22,866.500'—	71,047.150'—	89,464.290'—	31,607.880'—
1,175.966'78	1,537.230'05	4,293.530'—	1,525.173'45
1932	1933	1934	1935
6,708,792.300 —	3,985,980.900'—	4,729,880.900'—	2,521,946.574'65
6,528,612.760'—	3,861,853.910'—	4,768,438.070'—	2,213,470.724'65
336,860.500'—	460,987.490'—	422,430.320'—	730,906.170'—
20,425.442'75	24,360.558'05	31,139.637'10	20,286.909'60

## BASIS IN 1926 — 1935.

1930	1931	1932	1933	1934	1935
10.671 673,108.608'10	18.658 613,154.381'05	14.932 123,103.767'—	3.864 37,312.899'45	3.257 39,493.170'75	2.261 32,956.376'70

## THE STATE-NOTE

	On 1 January 1926
The State-note debt arising	
from the bank-notes, cheque account balances and treasury bills taken over from the Austro-Hun- garian Bank and from the bank-note exchange procedure . . . . .	10.184,901.894'31
has been reduced by :	
payments of capital levy . . . . .	4.653,611.260'75
state-note debt sinking fund . . . . .	405,668.970'25
State administration balance from stamping and exchange of bank-notes . . . . .	40,314.768'20
Statecommissariat-surrender of bank-notes (balan- ce of deposit vouchers for bank-notes withheld) .	37.749'28
Balance of state-note debt not yet amortised . . .	5.085,269.145'83
	On 31 December 1929
The State-note debt arising	
from the bank-notes, cheque account balances and treasury bills taken over from the Austro-Hun- garian Bank and from the bank-note exchange procedure . . . . .	10.189,905.599'80
has been reduced by :	
payments of capital levy . . . . .	5.598,690.850'05
state-note debt sinking fund . . . . .	795,048.405'50
State administration balance from stamping and exchange of bank-notes . . . . .	35,083.944'80
Statecommissariat-surrender of bank-notes (balan- ce of deposit vouchers for bank-notes withheld) .	—
Balance of state-note debt not yet amortised . . .	3.761,082.399'45
The State-note debt arising	
from the bank-notes, cheque account balances and treasury bills taken over from the Austro-Hungarian Bank and from the bank-note exchange proce- dure . . . . .	
has been reduced by :	
payments of capital levy . . . . .	
state-note debt sinking fund . . . . .	
State administration balance from stamping and exchange of bank-notes . .	
State commissariat-surrender of bank-notes (balance of deposit vouchers for bank-notes withheld) . . . . .	
Balance of state-note debt not yet amortised . . . . .	

## DEBT

On 31 December		
1926	1927	1928
10.189,905.599'80	10.189,905.599'80	10.189,905.599'80
4.919,096.916'04	5.164,154.780'21	5.380,059.483'40
423,411.648'85	551,612.666'84	684,604.483'80
34,742.922'11	29,884.675'66	27,731.874'95
—	—	—
4.812,654.112'80	4.444,253.477'09	4.097,509.757'65
On 31 December		
1930	1931	1932
10.189,905.599'80	10.189,905.599'80	10.189,905.599'80
5.762,026.555'95	5.906,436.320'90	6.010,578.493'25
944,127.611'75	1.131,058.710'90	1.465,372.666'75
31,237.027'85	31,007.692'65	27,403.966'65
—	—	—
3.452,514.404'25	3.121,402.875'35	2.686,550.473'15
On 31 December		
1933	1934	1935
10.189,905.599'80	10.189,905.599'80	10.189,905.599'80
6.086,085.999'45	6.153,948.334'75	6.201,149.325'80
1.485,055.219'30	1.919,944.072'20	1.921,949.050'90
25,291.788'05	21,226.195'55	20,593.551'45
—	—	—
2.593,472.593'—	2.094,786.997'30	2.046,213.671'65

## CAPITAL LEVY AND

	On 1 January	On 31 December
	1926	1926
To the Capital Levy account there was credited:		
Transfer from Cheque-Account No. 43,000 at the Post Office Savings Bank, Prague . . . . .	4.321,545.686'41	4.885,281.907'22
Payments through the Revenue Offices—deposit vouchers for sums representing bank-notes withheld from private persons on the occasion of the stamping of bank-notes . . . . .	717,238.943'95	730,697.053'90
Payments through the Zemská Bank, Prague—yield of the sales of securities surrendered as payment of capital levy and increment tax . . . . .	19,190.086'24	23,524.033'59
Payments through the State Land Office—capital levy and increment tax on estates taken over by the Office . . . . .	15,290.327'26	64,908.210'51
Sundry payments . . . . .	—	2,364.728'20
Gross Yield . . . . .	5.073,265.043.86	5.706,775.933'42
Refund of balances and amounts overpaid on account of capital levy and increment duty . . . . .	120,581.977'52	293,417.643'37
Refund of expenses . . . . .	299,071.805'59	311,344.120'52
Net Yield . . . . .	4.653,611.260'75	5.102,014.169'53
Advance made for paying off State Bills . . . . .	—	189,198.661'67
	4.653,611.260'75	4.912,815.507'86
Payment out of interest receipts . . . . .	—	6,281.408'18
Actual status . . . . .	4.653,611.260'75	4.919,096.916'04
Paid in on account of capital levy and increment tax in the current year . . . . .	660,971.574'97	633,510.889'56

# INCREMENT TAX

On 31 December			
1927	1928	1929	1930
5.414,574.702'81	5.853,375.642'88	6.296,597.887'38	6.638,509.739'53
737,060.154'92	741,458.079'39	743,853.970'49	745,378.677'39
26,497.315'59	26,846.518'09	26,872.695'09	26,960.901'09
87,761.735'26	91,687.213'73	91,830.248'43	91,875.913'48
2,364.728'20	3,349.144'50	3,349.144'50	3,349.144'50
6.268,258.636'78	6.716,716.598'59	7.162,503.945'89	7.506,074.375'99
446,819.411'88	574,034.014'40	690,809.898'80	797,041.550'45
335,823.982'59	336,975.213'07	347,838.374'27	362,082.763'47
5.485,615.242'31	5.805,707.371'12	6.123,855.672'82	6.346,950.062'07
341,407.395'30	466,495.450'42	591,783.655'72	680,344.193'37
5.144,207.847'01	5.339,211.920'70	5.532,072.017'10	5.666,605.868'70
19,946.933'20	40,847.562'70	66,618.832'95	95,420.687'25
5.164,154.780'21	5.380,059.483'40	5.598,690.850'05	5.762,026.555'95
561,482.703'36	448,457.961'81	445,787.347'30	343,570.430'10

	On
	1931
To the Capital Levy account there was credited:	
Transfer from Cheque-Account No. 43,000 at the Post Office Savings Bank, Prague . . . . .	6,849,617.704'78
Payments through the Revenue Offices - deposit vouchers for sums representing bank-notes withheld from private persons on the occasion of the stamping of bank-notes . . . . .	746,957.954'64
Payments through the Zemská Bank, Prague—yield of the sales of securities surrendered as payment of capital levy and increment tax . . . . .	26,960.901'09
Payments through the State Land Office—capital levy and increment tax on estates taken over by the Office . . . . .	91,990.380'63
Sundry payments . . . . .	3,725.081'80
Gross Yield . . . . .	7,719,252.022'94
Refund of balances and amounts overpaid on account of capital levy and increment duty . . . . .	863,651.101'55
Refund of expenses . . . . .	366,765.614'12
Net Yield . . . . .	6,488,835.307'27
Advance made for paying off State Bills . . . . .	714,244.839'72
Payment out of interest receipts . . . . . +	5,774,590.467'55
Actual status . . . . .	131,845.853'35
	5,906,436.320'90
Paid in on account of capital levy and increment tax in the current year . . . . .	213,177.646'95

# INCREMENT TAX

31 December

1932	1933	1934	1935
6.977,788.348'33	7.068,424.373'13	7.125,194.154'28	7.161,039.544'43
748,344.271'39	749,143.491'39	749,561.176'39	749,785.476'39
26,960.901'09	26,960.901'09	26,960.901'09	26,960.901'09
93,888.873'63	94,160.651'93	94,340.059'13	94,340.059'13
3,732.375'80	3,732.375'80	3,732.375'80	3,732.375'80
7.850,714.770'24	7.942,421.793'34	7.999,788.666'69	8.035,858.356'84
924,213.765'80	955,650.417'05	968,987.724'85	981,869.997'65
370,590.504'52	381,216.045'72	382,655.951'52	383,937.385'72
6.555,910.499'92	6.605,555.330'57	6.648,144.990'32	6.670,050.973'47
714,244.839'72	714,244.839'72	714,244.839'72	714,244.839'72
5.841,665.660'20	5.891,310.490'85	5.933,900.150'60	5.955,806.133'75
168,912.833'05	194,775.508'60	220,048.184'15	245,343.192'05
6.010,578.493'25	6.086,085.999'45	6.153,948.334'75	6.201,149.325'80
131,462.747'30	91,707.023'10	57,366.873'35	36,069.690'15



## BANK-NOTE CIRCULATION

Numbers		5000 <sup>II.</sup>	1000 <sup>I.</sup>
on 31 December 1926 . . . . .		245.928'04	2,069.506'47
on 31 December 1927 . . . . .		240.697'73	2,280.051'22
on 31 December 1928 . . . . .		202.824'07	2,335.950'35
on 31 December 1929 . . . . .		180.564'30	2,233.249'59
on 31 December 1930 . . . . .		169.183'04	2,094.367'12
on 31 December 1931 . . . . .		174.320'23	1,988.100'28
on 31 December 1932 . . . . .		158.985'94	1,729.451'14
on 31 December 1933 . . . . .		162.406'82	1,091.126'64
on 31 December 1934 . . . . .		83.604'08	578.397'24
on 31 December 1935 . . . . .		45.649'13	329.203'73
Numbers		100 <sup>II.</sup>	100 <sup>III.</sup>
on 31 December 1926 . . . . .		27,824.285'61	—
on 31 December 1927 . . . . .		29,728.930'45	—
on 31 December 1928 . . . . .		31,594.438'49	—
on 31 December 1929 . . . . .		31,943.173'43	—
on 31 December 1930 . . . . .		30,412.414'40	—
on 31 December 1931 . . . . .		26,979.894'39	—
on 31 December 1932 . . . . .		21,382.071'84	3,304.745'72
on 31 December 1933 . . . . .		14,855.518'06	8,246.074'79
on 31 December 1934 . . . . .		8,319.295'31	15,506.845'91
on 31 December 1935 . . . . .		6,385.890'93	18,013.307'52
Numbers	10	5 <sup>II.</sup>	Kč
on 31 Dec. 1926 . .	27,895.883'69	1,454.569'80	8,202,593.910'90
on 31 Dec. 1927 . .	24,159.192'27	1,280.120'40	8,417,262.770'50
on 31 Dec. 1928 . .	22,968.851'44	1,252.492'40	8,465,908.103'20
on 31 Dec. 1929 . .	22,950.063'12	1,243.008'60	8,229,511.502'90
on 31 Dec. 1930 . .	23,744.134'29	1,237.775'30	7,823,690.914'50
on 31 Dec. 1931 . .	19,351.309'74	—	7,679,169.656'10
on 31 Dec. 1932 . .	—	—	6,266,768.279'—
on 31 Dec. 1933 . .	—	—	5,905,544.241'50
on 31 Dec. 1934 . .	—	—	5,640,241.483'—
on 31 Dec. 1935 . .	—	—	5,761,402.267'—

1000 <sup>II.</sup>	1000 <sup>III.</sup>	500 <sup>II.</sup>	500 <sup>III.</sup>
—	—	1,704.392'18	—
—	—	1,230.203'11	—
—	—	1,153.631'62	—
—	—	1,175.244'20	—
—	—	1,124.837'49	—
—	—	54.509'72	1,668.883'30
—	—	15.365'74	1,458.141'19
509.850'49	—	8.277'24	1,382.294'55
1,102.098'40	—	5.834'74	1,333.525'03
1,497.937'53	95.391'—	4.707'79	1,300.885'41
50 <sup>II.</sup>	50 <sup>III.</sup>	20 <sup>I.</sup>	20 <sup>II.</sup>
12,937.676'24	—	16,785.354'60	—
12,995.290'16	—	966.109'60	21,432.453'79
13,805.039'04	—	337.828'15	22,330.912'64
12,528.613'91	—	294.724'24	22,173.005'77
12,302.376'73	—	280.700'04	20,769.267'64
8,075.906'21	5,237.574'56	269.972'09	19,759.784'97
1,923.633'51	8,815.410'85	—	—
135.335'07	9,606.421'56	—	—
95.831'48	9,692.797'24	—	—
84.545'43	10,273.612'81	—	—
Numbers	20 <sup>II.</sup>	10	Kč
Circulation of small paper-money			
on 31 Dec. 1932 . .	17,447.161'08	13,878.532'14	487,728.543'—
on 31 Dec. 1933 . .	17,190.024'02	8,506.669'74	428,867.177'80
on 31 Dec. 1934 . .	15,552.596'39	6,619.043'04	377,242.358'20
on 31 Dec. 1935 . .	16,339.597'52	4,888.573'56	375,677.686'—

Numbers	5000 <sup>I.</sup>	5000 <sup>II.</sup>
Printed up to 31 XII 1925 . . . . .	500.599'—	799.995'—
Destroyed up to 31 XII 1925 . . . . .	500.599'—	11.749'22
Printed from 1 I 1926 to 31 XII 1935 . . . . .	—	788.245'78 2.000.000'—
Destroyed from 1 I 1926 to 31 XII 1935 . . . . .	—	2.788.245'78 394.689'65
Balance on 31 XII 1935 . . . . .	—	2,393.556'13
Numbers		500 <sup>II.</sup>
Printed up to 31 XII 1925 . . . . .	—	2,000.000'—
Destroyed up to 31 XII 1925 . . . . .	—	3.098'91
Printed from 1 I 1926 to 31 XII 1935 . . . . .	—	1,996.901'09
Destroyed from 1 I 1926 to 31 XII 1935 . . . . .	—	1,996.901'09 1,991.500'30
Balance on 31 XII 1935 . . . . .	—	5.400'79
Numbers	50 <sup>I.</sup>	50 <sup>II.</sup>
Printed up to 31 XII 1925 . . . . .	56,021.400'—	33,273.200'—
Destroyed up to 31 XII 1925 . . . . .	55,902.000'19	232.065'80
Printed from 1 I 1926 to 31 XII 1935 . . . . .	119.399'81 —	33,041.134'20 17,052.850'—
Destroyed from 1 I 1926 to 31 XII 1935 . . . . .	119.399'81 119.399'81	50,093.984'20 50,008.835'05
Balance on 31 XII 1935 . . . . .	—	85.149'15
Numbers		5 <sup>I.</sup>
Printed up to 31 XII 1925 . . . . .	—	110,646.400'—
Destroyed up to 31 XII 1925 . . . . .	—	110,646.400'—
Printed from 1 I 1926 to 31 XII 1935 . . . . .	—	—
Destroyed from 1 I 1926 to 31 XII 1935 . . . . .	—	—
Balance on 31 XII 1935 . . . . .	—	—

1000 <sup>I.</sup>	1000 <sup>II.</sup>	1000 <sup>III.</sup>	500 <sup>I.</sup>
4,500.000'— 37,256'29	— —	— —	8,236.269'— 8,236.269'—
4,462.743'71 —	— 3,000.000'—	— 3,024.200'—	— —
4,462.743'71 4,096.423'11	3,000.000'— 6.347'77	3,024.200'— 200'—	— —
366.320'60	2,993.652'23	3,024.000'—	—
500 <sup>III.</sup>	100 <sup>I.</sup>	100 <sup>II.</sup>	100 <sup>III.</sup>
— —	13,165.686'— 13,165.686'—	40,000.000'— 84.208'42	— —
8,000.000'—	—	39,915.791'58 6,000.000'—	34,599.200'—
8,000.000'— 54.778'02	— —	45,915.791'58 38 921.954'98	34,599.200'— 802.696'13
7,945.221'98	—	6,993.836'60	33,796.503'87
50 <sup>III.</sup>	20 <sup>I.</sup>	20 <sup>II.</sup>	10
— —	140,312.497'— 119,655.898'11	— —	141,283.300'— 110,817.032'31
32,648.400'—	20,656.598'89 11 739.346'—	— 125,738.300'—*	30,466.267'69 223,091.000'—*
32,648.400'— 11,891.801'33	32,395.944'89 32,395.944'89	125,738.300'— 95,399.299'72	253,557.267'69 216,330.384'50
20,756.598'67	—	30,339.000'28	37,226.883'19
* Since 30 June 1932 excluded from item of bank-notes as "Small Paper Money".			
5 <sup>II.</sup>	1		Kč
59,506.100'— 48,485.735'40	272,293.100'— 262,453.900'40	— —	31,244,541.640'— 15,409,776.949'20
11,020.364'60 —	9,839.199'60 —	— —	15,834,764.690'80 31,549,645.420'—
11,020.364'60 11,020.364'60	9,839.199'60 9,839.199'60	— —	47,384,410.110'80 18,957,174.970'30
—	—	—	28,427,235.140'50

# MAXIMUM PERMISSIBLE BANK-NOTE CIRCULATION

	Permissible Circulation Kč	Actual Circulation Kč	Actual circula- tion was lower than maximum Permissible Circulation by ... Kč
31 December . . . . . 1925	9.962,523.440'27	8.408,351.422'60	1.554,172.017'67
31 March . . . . . 1926	9.132,197.401'42	7.147,373.910'70	1.984,823.490'72

## METAL COVER

(under Art. VII. of the Bank Act, No. 102 of the year 1935)

	Bank-note circulation Cheque-account balan- ces and other amounts payable on sight	Including State-note debt
1 April . . . . . 1926	8.080,249.462'61	4.965,467.268'14
30 June . . . . .	7.905,379.546'27	4.898,739.472'20
30 September . . . . .	8.411,970.834'25	4.876,028.627'38
31 December . . . . .	9.084,342.979'43	4.812,654.112'80
31 March . . . . . 1927	8.289,768.457'17	4.745,455.179'66
30 June . . . . .	8.008,713.808'74	4.689,414.295'94
30 September . . . . .	8.349,631.123'34	4.628,235.020'88
31 December . . . . .	9.107,127.762'70	4.444,253.477'09
31 March . . . . . 1928	7.807,088.685'38	4.361,817.574'81
30 June . . . . .	8.121,175.405'56	4.305,120.855'17
30 September . . . . .	8.396,854.434'40	4.145,073.749'31
31 December . . . . .	9.295,635.607'15	4.097,509.757'65
31 March . . . . . 1929	7.682,683.778'60	4.037,568.330'90
30 June . . . . .	8.027,321.918'50	3.973,825.913'10
30 September . . . . .	8.172,594.057'70	3.928,105.211'70

	Basis for calculation of metal cover	Metal cover, full value exchange and bank-notes	Metal cover is thus %
1 April . . . . . 1926	3.114,782.194'47	2.208,582.144'11	70'9
30 June . . . . .	3.006,640.074'07	2.262,087.036'85	75'2
30 September . . . . .	3.535,942.206'87	2.442,017.803'15	69'1
31 December . . . . .	4.271,688.866'63	2.977,956.006'26	69'7
31 March . . . . . 1927	3.544,313.277'51	2.798,345.761'90	79'—
30 June . . . . .	3.319,299.512'80	2.726,541.476'53	82'1
30 September . . . . .	3.721,396.102'46	3.070,709.001'10	82'5
31 December . . . . .	4.662,874.285'61	3.461,734.562'71	74'2
31 March . . . . . 1928	3.445,271.110'57	2.867,911.805'83	83'2
30 June . . . . .	3.816,054.550'39	2.893,698.664'20	75'8
30 September . . . . .	4.251,780.685'09	3.113,481.834'40	73'2
31 December . . . . .	5.198,125.849'50	3.601,513.412'75	69'3
31 March . . . . . 1929	3.645,115.447'70	2.910,203.724'20	79'8
30 June . . . . .	4.053,496.005'40	2.883,920.644'60	71'1
30 September . . . . .	4.244,488.846'—	2.963,723.379'45	69'8

## GOLD COVER

Measure passed by the Standing Committee of the National Assembly Act No. 166  
in the Collection of Laws and Decrees of 1929.  
(Kč 1 = 44.58 milligrammes of fine gold)

	Bank-note circulation cheque-account balances and other sums payable on sight	Gold cover and full-value exchange	Gold cover %
30 November . . . . . 1929	8.104,211.798'85	3.112,057.517'25	38'4
31 December . . . . .	8.904,356.844'10	3.433,999.276'55	38'6
31 March . . . . . 1930	7.427,365.574'05	3.104,488.896'60	41'8
30 June . . . . .	7.634,308.020'55	3.348,143.063'60	43'9
30 September . . . . .	7.772,932.242'85	3.720,474.810'70	47'9
31 December . . . . .	8.393,456.881'—	3.923,289.965'60	46'7
31 March . . . . . 1931	7.526,933.142'60	3.741,355.951'60	49'7
30 June . . . . .	7.380,094.022'55	3.404,062.496'10	46'1
30 September . . . . .	7.480,978.196'55	2.599,167.925'30	34'7
31 December . . . . .	8.039,794.221'70	2.537,525.028'95	31'6
31 March . . . . . 1932	7.104,753.525'80	2.376,377.508'45	33'4
30 June . . . . .	6.758,344.737'45*	2.582,436.291'85	38'2
30 September . . . . .	6.797,443.562'85	2.681,492.319'80	39'4
31 December . . . . .	6.868,822.540'65	2.684,970.686'20	39'1
31 March . . . . . 1933	6.872,920.918'25	2.713,194.741'55	39'5
30 June . . . . .	7.077,127.115'25	2.655,924.416'10	37'5
30 September . . . . .	6.810,155.416'—	2.630,165.969'05	38'6
31 December . . . . .	6.776,136.615'85	2.633,967.867'80	38'9

\* Under Act No. 94 of the year 1932 the bank-notes Kč 20 II and Kč 10 were excluded from the bank-note circulation and transferred to that of small paper money to the amount of Kč 546.684.551.—.

## GOLD COVER

under Act No. 25 of 1935 (Kč 1 = 37.15 milligrammes of fine gold).

	Bank-note circulation, cheque account balances and other sums payable on sight	Gold cover: gold	Gold cover %
28 February . . . . . 1934	5.966,918.701'—	2.668,352.359'35	44'7
31 March . . . . .	6.240,750.492'70	2.661,017.150'45	42'6
30 June . . . . .	6.153,219.533'50	2.662,600.316'55	43'3
30 September . . . . .	6.319,234.448'30	2.665,111.301'50	42'2
31 December . . . . .	6.406,005.803'40	2.680,487.850'35	41'8
31 March . . . . . 1935	6.356,574.674'65	2.683,781.024'20	42'2
30 June . . . . .	6.522,034.244'50	2.691,821.653'85	41'3
30 September . . . . .	6.142,737.178'65	2.693,010.193'25	43'8
31 December . . . . .	6.172,494.435'80	2.691,224.733'50	43'6

# CHEQUE ACCOUNT TURNOVERS

	1926
<b>Receipts</b>	
Cash deposits . . . . .	25.036,848.550'86
Credited from other business . . . . .	28.957,462.381'06
Local transfers . . . . .	26.714,301.011'62
Transfers from non-local accounts . . . . .	33.137,362.494'94
<b>Withdrawals</b>	
Withdrawals in cash . . . . .	24.695,201.461'05
Debited from other business . . . . .	28.893,511.639'86
Local transfers . . . . .	26.714,301.011'62
Transfers from non-local to local accounts . . . . .	33.121,914.058'53
Total turnover in cheque accounts . . . . .	227.270,902.609'54
Total balance of accounts on 31. December . . . . .	881,749.068'53
Number of holders of accounts . . . . .	1024
<b>1931</b>	
<b>Receipts</b>	
Cash deposits . . . . .	29.409,111.642'25
Credited from other business . . . . .	27.760,459.169'35
Local transfers . . . . .	23.811,437.184'70
Transfers from non-local accounts . . . . .	41.165,581.360'40
<b>Withdrawals</b>	
Withdrawals in cash . . . . .	30.032,075.801'40
Debited from other business . . . . .	27.346,636.411'10
Local transfers . . . . .	23.811,437.184'70
Transfers from non-local to local accounts . . . . .	41.092,395.754'35
Total turnover in cheque accounts . . . . .	244.429,134.508'25
Total balance of accounts on 31 December * . . . . .	360,624.565'60
Number of holders of accounts . . . . .	894

1927	1928	1929	1930
28.008,635.805'27	30.601,160.389'62	30.742,310.830'60	29.980,894.619'20
29.184,066.564'53	29.704,942.753'42	30.169,617.398'80	26.523,966.208'05
25.125,785.840'67	23.112,738.396'92	23.528,153.531'70	23.440,336.832'80
38.321,225.674'69	41.835,256.165'20	42.941,942.123'25	42.355,471.775'60
27.939,293.521'79	30.669,946.302'26	30.865,952.613'45	30.097,093.988'40
29.200,235.060'17	29.280,389.625'84	35.580,917.262'10	26.512,846.213'55
25.125,785.840'67	23.112,738.396'92	23.528,153.531'70	23.440,336.832'80
38.313,731.493'05	41.914,334.681'66	42.955,021.593'75	42.362,942.526'20
241.218,759.800'84	250.231,506.711'84	260.312,068.885'35	244.713,888.996'60
689,864.992'20	829,727.503'95	674,845.341'20	569,765.966'50
998	981	942	903
1932	1933	1934	1935
26.778,265.664'25	22.858,192.854'15	20.825,005.193'35	20.537,420.372'30
25.929,597.269'85	22.666,582.211'—	21.852,454.029'—	21.681,449.257'80
18.691,835.533'35	19.296,786.453'90	14.933,143.942'80	17.936,994.176'15
35.931,693.764'40	30.982,407.109'80	29.451,953.822'75	30.194,584.912'—
26.837,471.062'45	23.005,490.558'90	21.064,729.645'60	21.271,148.532'70
25.628,962.175'60	22.250,746.393'55	21.717,557.630'70	21.302,393.249'—
18.691,835.533'35	19.296,786.453'90	14.933,143.942'80	17.936,994.176'15
35.901,099.519'95	30.970,788.685'70	29.471,387.536'85	30.217,243.865'10
214.390,760.523'20	191.327,780.720'90	174.249,375.743'85	181.078,228.541'20
602,054.261'65	870,592.374'35	765,764.320'40	411,092.168'80
870	853	822	722



# ACTIVITIES OF THE CLEARING

	1926
<b>P r a h a</b>	
Bills, cheques, invoices, etc. presented. Total . . . . .	79.144,456.561'29
including: cheques . . . . .	19.689,783.470'69
bills . . . . .	8.943,554.054'41
settlement by compensation . . . . .	72'425 ‰
settlement by cheque account . . . . .	27'575 ‰
No. of members . . . . .	32
<b>B r a t i s l a v a</b>	
Bills, cheques, invoices, etc. presented. Total . . . . .	1.745,304.899'46
including: cheques . . . . .	204,435.501'69
bills . . . . .	321,960.194'95
settlement by compensation . . . . .	44'975 ‰
settlement by cheque account . . . . .	55'025 ‰
No. of members . . . . .	21
<b>B r n o</b>	
Bills, cheques, invoices, etc. presented. Total . . . . .	1.057,703.324'78
including: cheques . . . . .	141,582.769'97
bills . . . . .	342,913.440'48
settlement by compensation . . . . .	50'492 ‰
settlement by cheque account . . . . .	49'508 ‰
No. of members . . . . .	20
<b>1931</b>	
<b>P r a h a</b>	
Bills, cheques, invoices, etc. presented. Total . . . . .	76.785,573.585'85
including: cheques . . . . .	19.293,743.209'—
bills . . . . .	9.956,593.670'—
settlement by compensation . . . . .	69'683 ‰
settlement by cheque account . . . . .	30'317 ‰
No. of members . . . . .	27
<b>B r a t i s l a v a</b>	
Bills, cheques, invoices, etc. presented. Total . . . . .	1.947,349.093'85
including: cheques . . . . .	188,385.517'90
bills . . . . .	228,471.549'80
settlement by compensation . . . . .	54'458 ‰
settlement by cheque account . . . . .	45'542 ‰
No. of members . . . . .	19
<b>B r n o</b>	
Bills, cheques, invoices, etc. presented. Total . . . . .	2.416,675.468'05
including: cheques . . . . .	937,837.755'40
bills . . . . .	178,804.558'95
settlement by compensation . . . . .	49'899 ‰
settlement by cheque account . . . . .	50'101 ‰
No. of members . . . . .	20

# ASSOCIATIONS IN 1926—1935

1927	1928	1929	1930
90.873,633.384'10	106.853,764.384'34	97.032,811.825'70	77.295,863.443'75
24.272,640.342'26	26.658,636.182'—	23.946,550.287'—	21.564,802.130'—
9.695,643.674'98	14.627,126.980'—	13.811,298.236'—	7.440,849.429'—
72'730 ‰	78'061 ‰	74'019 ‰	70'548 ‰
27'270 ‰	21'939 ‰	25'981 ‰	29'452 ‰
33	30	29	27
1.717,317.774'95	1.805,721.642'65	2.158,080.176'20	1.970,327.778'—
210,820.000'43	209,461.895'04	270,841.400'80	260,838.337'05
120,820.722'35	177,221.013'98	300,321.347'90	259,300.913'05
50'336 ‰	48'224 ‰	52'962 ‰	53'210 ‰
49'664 ‰	51'776 ‰	47'038 ‰	46'790 ‰
20	20	19	18
1.635,107.508'36	2.101,300.919'95	2.524,697.107'85	2.602,623.893'85
644,592.704'46	864,692.338'24	975,877.928'95	1.010,248.097'60
125,067.158'92	151,695.895'72	309,194.506'65	186,679.881'—
49'308 ‰	47'052 ‰	45'907 ‰	46'758 ‰
50'692 ‰	52'948 ‰	54'093 ‰	53'242 ‰
21	21	21	20
1932	1933	1934	1935
88.621,095.826'60	53.076,818.398'35	48.013,284.008'85	52.013,679.867'35
12.777,151.851'—	10.132,785.747'—	10.367,064.759'—	12.468,584.367'—
26.582,940.474'—	11.177,684.676'—	8.258,930.866'—	5.474,296.410'—
80'187 ‰	69'854 ‰	70'506 ‰	69'095 ‰
19'813 ‰	30'146 ‰	29'494 ‰	30'905 ‰
27	26	26	27
1.350,363.311'75	1.098,094.875'60	1.325,544.304'85	1.847,811.809'90
79,839.128'70	59,262.007'25	63,850.123'60	80,444.490'70
337,007.645'45	243,423.048'95	323,886.219'45	570,472.904'—
46'071 ‰	45'636 ‰	43'636 ‰	42'333 ‰
53'929 ‰	54'364 ‰	56'364 ‰	57'667 ‰
19	18	20	21
2.105,230.397'25	1.868,804.275'20	2.331,763.250'85	2.046,041.563'55
818,759.116'50	741,224.735'55	836,341.525'80	862,292.896'—
249,770.845'35	203,036.042'—	421,515.104'55	281,116.881'90
45'234 ‰	40'900 ‰	50'179 ‰	43'282 ‰
54'766 ‰	59'100 ‰	49'821 ‰	56'718 ‰
18	18	17	17



ECONOMIC SURVEY  
OF CZECHOSLOVAKIA

THE HISTORY OF THE  
CITY OF BOSTON  
FROM 1630 TO 1800

# *The Czechoslovak Republic*

## GENERAL FEATURES\*)

*By*

RCDr. MILOŠ HORNA, C.E., and Dr. JAN ČAKRT.

Its geographical situation places Czechoslovakia in the very heart of Europe.

The Republic has an area of 140,493 km<sup>2</sup> (approximately 55,000 square miles), of which Bohemia accounts for 52,062 km<sup>2</sup>, Moravia-Silesia for 26,808 km<sup>2</sup>, Slovakia for 49,006 km<sup>2</sup>, and Carpathian Ruthenia for 12,617 km<sup>2</sup>. In respect of area Czechoslovakia thus occupies 12th place among the countries of Europe (excluding Soviet Russia), and in respect of population (14,729,536 according to the 1930 census) 8th place.

The territory of the Republic extends between 12°10' and 24°30' E. of Greenwich and 47°44' and 51°3' N. It thus extends approximately parallel along the 50° of latitude. The distance from the most westerly to the most easterly point of the Republic is 940 kilometres. The greatest breadth is in the Western half where it is about 270 kilometres, while in the East it contracts to as little as 50 kilometres.

Of the total length of the State frontiers of Czechoslovakia (4,125 kilometres), the frontier with Germany accounts for 1,550 kilometres, that with Poland for 984 kilometres, that with Rumania for 201 kilometres, that with Hungary for 832 kilometres, and that with Austria for 558 kilometres.

By virtue of its Constitution Czechoslovakia is a democratic Republic. The people are the sole source of all State authority. At the head of the Republic is an elected President.

The President of the Republic is elected by the National Assembly (Chamber of Deputies and Senate in joint session) for a term of 7 years. No one may be elected for more than two terms in succession. This provision did not apply to Dr. T. G. Masaryk, the first President.

Legislative power for the entire territory of Czechoslovakia is exercised by the two-chambered National Assembly, composed of the

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\*) Compiled from various publications issued by the State Bureau of Statistics, the Atlas of the Czechoslovak Republic, and other official sources.

Chamber of Deputies and the Senate. The Chamber of Deputies has 300 members, elected on a universal, equal, direct and secret franchise, and on the principle of proportional representation. Every Czechoslovak subject, irrespective of sex, who has attained the age of 21 years, has the right to vote in elections for the Chamber of Deputies. The right to be elected to the Chamber of Deputies is enjoyed by every Czechoslovak subject who has attained the age of 30. The Chamber is elected for a term of 6 years. The Senate has a membership of 150. The right to vote in elections to the Senate is enjoyed by every Czechoslovak subject who has attained the age of 26, and any person aged 45 or more is entitled to be elected. The Senate is elected for a term of 8 years.

The Government is a cabinet of ministers responsible to the Chamber of Deputies. The Prime Minister and members of the Cabinet are appointed and dismissed by the President of the Republic.

The Constitutional Charter lays down the main rights and liberties as well as the civic duties of the population: no recognition is given to privileges of sex, birth or profession. All the inhabitants of the Republic enjoy within its frontiers full, absolute protection of life and liberty irrespective of origin, citizenship, language, race or religion. Private ownership can only be restricted by law. Home rights are inviolable. Freedom of the press, the right of assembly and of association is guaranteed. The inviolability of matter entrusted to the post is also guaranteed. Within the limits of the law every person may express his or her opinion by word, in writing, in print, etc. Liberty of conscience and religious creed is guaranteed.

For the protection of the national, religious and racial minorities the Constitution provides in particular that: all citizens of the Republic shall be in all respects equal before the law and shall enjoy equal civic and political rights whatever be their race, their language or their religion. Difference in religion, belief, confession or language shall constitute no obstacle to any citizen as regards entry into the public services and offices, the attainment of any promotion or dignity, or the exercise of any trade or calling.

The State coat-of-arms has three types. The small coat-of-arms shows on a red field a silver lion rampant with bifurcated tail, golden crown on its head and a breastshield with the emblem of Slovakia, three blue bosses in a red field on the middle one of which is raised a silver patriarchal cross. The medium coat-of-arms (a reproduction of which in gold appears on the binding of this volume) is made up

of the arms of Bohemia, Moravia and Silesia (below) and those of Slovakia and Carpathian Ruthenia (above). The large coat-of-arms bears in addition the arms of the territories that once belonged to the State or which now form part of other Czechoslovak territory. The coat-of-arms is supported by two gold lions, has an ornamentation of lime branches and bears the motto "Pravda vítězí" (Truth Prevails).

Concerning the development and present condition of the economic conditions of Czechoslovakia the following characteristic features may be noted: Czechoslovakia is a State in which medium and small holdings of property predominate and exercise the greatest influence. In agriculture and in industrial production small and medium ownership is again the most important element, for big capital or excessively poor elements among the population are an exception. In the creation and accumulation of capital, too, the main rôle is played by small savings. Out of a total of not quite 60,000 million Kč of savings, the people's banking institutions hold 40,000 millions. These are the savings made by humble people out of their earnings, and in their sum total they constitute the financial strength of the nation.

The composition of ownership of property, and the distribution of the national income provide the balanced social conditions for the economic structure of Czechoslovakia, as well as the primary conditions for its quiet social evolution, impervious to all extremes whether of the Right or Left.

The fundamental conception of economic activity and of property in Czechoslovakia is individualistic, as is reflected in the Constitution of the State. Measures which have at any time been taken in Czechoslovakia affecting private ownership (land reform) have always respected the rights of private owners, and have never taken the form of expropriation without compensation. Throughout the whole period of its existence the Government of Czechoslovakia has been based upon, and has developed upon, the principles of complete and well-ordered democracy.

The Republic is crossed by two mountain m a s s i f s: in the West by the Bohemian m a s s i f, and in the East by the Carpathians. The mountain ranges are not only natural frontiers for the Republic, but they contribute largely to the beauty of the landscape and the attraction of the country for tourists. The highest mountain in the Republic is the Gerlachovka in the Tatras of Slovakia (8,655 ft.). The mean altitude of the whole Republic above sea level is 473 metres,



and the proportion of plain and lowlands to the entire area of the individual provinces of the Republic increases from West to East.

The territory of the Republic forms the European watershed between the North, the Baltic and the Black Seas. To the North littoral belongs about 35% of the area of the Republic, to the Baltic 8% and to the Black Sea 57%. The greatest rivers of the Republic are the Danube in the East and the Elbe in the West.

The Czechoslovak rivers attain their highest water mark in the Spring months when the snow melts; in the Summer months the rainfall is for the most part absorbed by vegetation and condensation so that the Summer level of the water is somewhat lower. The Danube, however, fed by the Alpine glaciers, carries the most water in Summer. Its maximum average flow for one month occurs in May, while that of the other rivers occurs in March and April.

Czechoslovakia has a considerable area of fishponds. Of the total area of fishponds amounting to 488.1 sq. kilometres, the great bulk is in Bohemia (408.3 sq. kilometres), and in that Province largely in two extensive regions round České Budějovice and Třeboň. In her mountains Czechoslovakia has many lakes and tarns, most of them of glacial origin, and much visited on account of their beauty by tourists from all parts of the Republic and from abroad.

The mountain zones are also the beds of the mineral wealth of the Republic, both as regards ores and also utility minerals. The deposits of ores and minerals are found in the Western half of Bohemia, in the Moravská Ostrava coalfield and in Central Slovakia.

The normal average annual rainfall in the Republic in the basin of the Elbe is 699 millimetres, in the basin of the Oder 839 mm, in that of the Morava 641 mm, in the West Slovak basin of the tributaries of the Danube 811 mm, and in the Czechoslovak portion of the basin of the Tisa 905 mm.

As regards rainfall, the territories of the Republic have a continental character with maximum precipitation in Summer and minimum in Winter.

The winds prevailing in the West of the Republic are mainly from South-west to North-west. In Slovakia the Carpathian *massif* is most frequently exposed to westerly or northern winds. The climate is on the whole mild, so that it is no hindrance to habitation or the cultivation of the soil even at high altitudes.

The vegetation of Czechoslovakia is very varied, both from a general and from the agricultural angle. Forests, for the most part cultivated, still form about one-third of the total area of the Republic.

A detailed survey of the distribution and utilisation of the soil for agricultural purposes will be found in the special chapter on agriculture.

The landlocked character of the State and its climatic conditions constitute a favourable basis for a wealth of fauna and thus for game-hunting and angling.

There are numerous spas and holiday resorts scattered over the whole Republic, many of them of world-wide repute. Among the best known are: Karlovy Vary (Carlsbad), Mariánské Lázně (Marienbad), Františkovy Lázně (Franzensbad), Teplice-Šanov, Poděbrady, Luhačovice, Piešťany, Trenčianské Teplice, Sliač and other spas, while other resorts are Nový Svět, Špindlerův Mlýn and Pec in the Krkonoše (Giant Mountains), Gräfenberg near Frývaldov in Silesia, and Smokovec, Štrbské Pleso and Tatranská Lomnice in the High Tatras. They are much sought by foreigner visitors as well as those from inland, and tourist traffic in Czechoslovakia constitutes a strong support for the country's balance of payments.

A more detailed account of agricultural and industrial output, of foreign trade, of the social structure of the Republic, and of its banking and finances will be found in independent chapters later on.

In communications and transport the greatest importance, whether for passenger or goods transport, attaches to the railways. The railway passenger cars have accommodation for about 500,000 passengers, and the trucks and vans a freight capacity of about 1,666,000 tons. The equivalent of about 5% of the freight carried by the railways is carried by water (including rafts). In freight transport the rivers are of importance rather for export and import trade, whereas domestic transport participates but little in the total shipments.

The density of the railway network in Czechoslovakia is represented by about 10 kilometres of line per 100 sq. kilometres of area. This density is particularly pronounced in the industrial and more populous areas in the West of the Republic. There is roughly 1 kilometre of railway line per 1,000 head of population. The rolling stock of the railways includes some 4,700 locomotives, over 9,200 passenger carriages, and more than 110,000 trucks and vans.

The total length of the roads of the Republic is about 70,000 kilometres, so that there are approximately 50 kilometres of road per 100 sq. kilometres of area.

In the air services of the home and international lines a distance of about 1,750,000 kilometres was flown last year.

The length of navigable rivers for steamers is about 470 kilometres, for transport by raft some 2,900 kilometres.

On the territory of the Republic there are about 4,600 post offices, and some 20,300 kilometres of telegraph lines.

The number of the country's inhabitants has not, it is true, been precisely ascertained since the census taken in 1930, but it can be estimated with relative exactitude from the number of births and deaths and of persons emigrating. According to a calculation on this basis, Czechoslovakia had a population of 15,184,036 at the middle of 1936, whereas in 1930 the census returned a population of 14,729,536. It is to be noted that since 1923 the growth of population has shown an absolute as well as relative downward tendency. In 1923 this growth was still 10%, but in 1936 it was no more than 3.7%. The reason for this decline is to be seen in standard-of-living considerations. Under the economic conditions existing during recent years it was impossible to augment the natural rate of growth without prejudice to the standard of living of the population, since to-day Czechoslovakia is already one of the most densely populated of European States, having 108 head of population per 1 sq. kilometre. In a State so densely populated and of high level of civilisation every on-coming generation is felt as an unwelcome pressure upon the labour market. In 1935 and 1936 this on-coming of a new generation was especially of pronounced character, for the post-War generation of the years 1921 and 1922 had been numerically the largest of all. It is estimated that in 1936 approximately 310,000 persons entered upon the wage-earning age. Of these, 156,000 were boys, a figure that was 24,000 in excess of the 1934 figure, and 174,000 in excess of that of the year 1931. According to the last census—in 1930—the total population consisted of 7,143,116 males and 7,586,420 females. The distribution of the population according to age was as follows:

Age:	Males:	Females:
0— 4 years	712,558	697,354
5—14	1,245,242	1,217,920
15—24	1,421,010	1,414,705
25—44	2,087,494	2,292,090
45—64	1,237,067	1,417,442
65—74	310,482	383,259
over 75	113,247	155,858
age unknown	7,016	7,792

According to family status, the single males were in the majority, numbering 3,840,209 compared with 3,039,536 married men. Widowers numbered 223,095, and separated and divorced men 38,665.

The distribution of the population according to nationality is roughly such that two-thirds are of Czechoslovak nationality while the remaining one-third are divided among the various minority nationalities as shown in the following table:

Nationality:	Persons:	% of whole
Czechoslovak . . . . .	9,756,604	66.24
German . . . . .	3,318,445	22.53
Magyar . . . . .	719,569	4.89
Ruthenian and White Russian .	568,941	3.86
Jewish . . . . .	204,779	1.39
Gipsy . . . . .	32,857	0.22
Rumanian . . . . .	14,170	0.10
Yugoslav . . . . .	6,026	0.04
Other, & not ascertained . .	7,823	0.05

All the population, except 249,971 persons, were Czechoslovak subjects.

According to religious profession the population of Czechoslovakia is largely Roman-Catholic (10,831,696 persons, or 73.54% of the whole). The Protestant denominations account for 7.67%, the adherents of the Czechoslovak Church 5.39%, the Uniates 3.97%, Jews 2.42%, and free-thinkers 5.8% of the entire population.

The population is concentrated most densely in parishes with populations of 500 to 1,000. About 18% of the entire population live in such communities (country villages). In townships with population up to 5,000 about three-fourths of the whole population live, and in towns of over 100,000 only 10% of the population of the country live. The distribution of the population according to agglomeration is thus relatively very favourable in Czechoslovakia, preventing the formation of great urban units with all their unwelcome social consequences.

Natural changes in the population depend in the first place upon the number of births and deaths. The number of marriages and divorces has considerable importance for the birth-rate trend, since the great bulk of children issue from the bonds of wedlock. The marriage rate reached its lowest point in 1935, when 115,634 marriages were contracted. The improvement in the economic situation produced

a certain turn for the better, and in 1936 the number of marriages contracted increased by 5% compared with 1935. The inter-dependence between the economic crisis and the marriage rate is apparent from the angle of occupation and nationality. The members of those nationalities that are most engaged in industry show a greater decline in the marriage rate than is seen among the rural population.

The birth-rate, too, is on the decline in Czechoslovakia. The number of living births in the years 1928-30 averaged 332,276 per annum, that is, 2.8% of the entire population. This number declined to 270,926 in 1935, that is, to 1.79% of the entire population, and the downward trend was not even checked in 1936. As regards birth-rate Czechoslovakia ranks about the middle of the countries of Europe, for in 1934, out of the 30 European States, 14 had a lower and 15 a higher birth-rate than Czechoslovakia. The birth-rate in Czechoslovakia shows great regional differences; it increases from West to East, the differences being fairly considerable (between 8 and 41<sup>0</sup>/<sub>100</sub>). Taken from the nationality angle the greatest number of living births is shown by the Ruthenians (nearly 36<sup>0</sup>/<sub>100</sub>), and then follow the Magyars (23<sup>0</sup>/<sub>100</sub>), the Poles (22<sup>0</sup>/<sub>100</sub>), the Jews (19<sup>0</sup>/<sub>100</sub>), the Czechoslovaks (18<sup>0</sup>/<sub>100</sub>), and the Germans (14<sup>0</sup>/<sub>100</sub>). The excess of male births is a regular feature, and the proportion as a rule is 1,068 boys to 1,000 girls. In 1935 this proportion was slightly reduced (1,062 boys to 1,000 girls).

The death-rate in Czechoslovakia shows a steady decline, which was interrupted for specific reasons in 1935 (influenza-epidemic in the Winter of that year). The rate has dropped from 14.15<sup>0</sup>/<sub>100</sub> in 1930 to 13.85<sup>0</sup>/<sub>100</sub> in 1935. The economic crisis has not affected the health conditions of the population to an extent sufficient to increase the death-rate. The crisis has of course had an indirect effect upon the death-rate, for the decline in the number of deaths was due to less infantile mortality which in its turn declined because the number of births was less. The lowest number of deaths (199,203), that is 13.23<sup>0</sup>/<sub>100</sub>, was recorded in the year 1934. An important index of the total mortality figure is distribution according to age, for a high rate of infantile mortality can cause big shifts in the total figure. In this connection, however, it is to be seen that the death-rate precisely in the group up to the age of 1 year has of late years substantially declined, for the rate, after averaging 14.2<sup>0</sup>/<sub>100</sub> for the years 1928-30, declined in 1935 to 12.25<sup>0</sup>/<sub>100</sub>. In the other age groups, too, the death-rate is on the decline, though at a less pace. Only in the group of

oldest people (over 65) does it vary, owing to specific causes. The following were the number of deaths in the various age groups, per 1,00 head of population in the relative group in each case:

Up to 1 year . . . . .	122.55 deaths
From 1 to 4 years . . . . .	7.60
5 14 . . . . .	2.39
15 24 . . . . .	3.40
25 44 . . . . .	4.60
45 64 . . . . .	15.03
over 65 . . . . .	78.53

The great decline in infantile mortality can, however, be only partially (to the extent of one half) attributed to improved health conditions. The other half of the decline is probably due to the absolute decline in the number of births. None the less, infantile mortality in Czechoslovakia reached the lowest level on record last year. It is a welcome feature that an equally minimum death-rate was recorded in the case of children who have not attained school-age, while the main cause of mortality among children of school age is epidemics of infectious diseases, which were especially widespread in 1935.

Changes in the population through emigration and immigration in recent years have lost their significance. The tendency towards self-sufficiency which restricts a free movement of merchandise and capital necessarily had an effect upon the free movement of labour. Emigration, which even early after the War had declined compared with pre-War conditions, dropped after the onset of the crisis to approximately one-fifth of what it had been in the years 1930-31. The numbers emigrating fell from 25,712 to 9,567, and again in 1932 to 5,165 persons, at which level they have been approximately maintained since. Immigration, too, has shown a decline in the last few years. Returns for 1935 show that 5,929 persons were admitted to citizenship in that year.

# *Social Conditions in Czechoslovakia*

By Dr. JAN ČAKRT.

The classification of the total population according to occupation gives us, according to the census of 1930, the following picture:

	Number of persons	In %
Agriculture . . . . .	5,101,614	34.64
Commercial and industrial occupations . . . . .	5,146,000	34.94
Commerce and banking . . . . .	1,094,063	7.43
Transport . . . . .	814,468	5.53
Public service and free occupations . . . . .	715,841	4.86
The army . . . . .	193,463	1.31
Other occupations and persons of no occupation	1,663,150	11.29

If we divide the population into persons in active employment and add to them the non-wage-earning members of their families, servants and persons connected with their occupation though not wage-earning, we obtain the following classification:

Calling	Persons wage-earning	non-wage- earning
Agriculture . . . . .	2,603,701	2,255,526
Forestry and fishery . . . . .	86,496	155,891
Mining and smelting . . . . .	144,997	263,923
Other industries and trades . . . . .	2,428,651	2,304,366
Commerce and banking . . . . .	621,272	472,791
Transport . . . . .	296,420	518,048
Public service and free occupations . . . . .	377,303	338,538
The army . . . . .	22,032	171,431
Domestic and personal servants	134,565	49,249
Persons living on annuities and relief, inmates of institutions, students and school children	27,635	1,229,217
Other callings . . . . .	6,953	8,366
Occupation not indicated . . . . .	99,769	107,396
	6,849,794	7,874,742

Of the persons actively following their callings about one half consist of workmen and a little over a third of persons in independent occupations and tenants. The remainder consists of officials and clerks. In the individual branches the proportion of persons of independent calling to wage-earners in active employment may be classified as follows:

Group	independent occupations	officials	clerks	workmen and day-labourers
Agriculture, forestry and fishery . . . . .	886.997	12.846	23.134	749.887
Trade and industry . .	312.400	118.241	117.123	1,953.880
Commerce, banking and transport . . . . .	225.148	141.690	249.087	188.892
Public service, free occupations and the army	29.108	202.893	98.249	170.277
Domestic and personal servants . . . . .	13.594	205	1.324	117.725
Other occupations and occupation not indicated . . . . .	823.711	16	380	100.577
	2,290.958	475.891	489.297	3,281.238
Total in active employment . . . . .				6,537.384

According to the classification of persons earning an independent livelihood the greatest number, in the case of men are between 25—27 years of age, and in the case of women between 15—19. While the total number of wage-earning men in the higher age-group only declines slowly up to the age of 55, in the case of women this decline is fairly sharp after the 24th year.

Age in complete years	Persons gaining their own livelihood:	
	men	women
0—14 years . . . . .	31.214	15.435
15—19 „ . . . . .	442.692	243.343
20—24 „ . . . . .	459.209	243.052
25—29 „ . . . . .	573.742	171.923
30—34 „ . . . . .	527.677	138.296
35—39 „ . . . . .	428.365	118.065
40—44 „ . . . . .	372.256	107.977
45—49 „ . . . . .	340.059	99.380



Age in complete years		Persons gaining their own livelihood:	
		men	women
50—54	„ . . . . .	303.159	87.782
55—59	„ . . . . .	256.934	73.384
60—64	„ . . . . .	192.169	55.744
65—69	„ . . . . .	119.974	34.989
70—74	„ . . . . .	66.326	19.602
75—79	„ . . . . .	25.585	8.159
80 and over	. . . . .	8.749	3.230
unknown	. . . . .	4.353	1.915
		4,152.463	1,422.276

### U n e m p l o y m e n t.

A special problem of the Czechoslovak labour market, especially in the years of the recent economic depression, has been the question of unemployment. The high level of unemployment resulted partly from general causes but in part reflected the specific features of Czechoslovak economy.

The great difficulties in the international exchange of goods during the recent depression contributed to an increase of unemployment in Czechoslovakia, all the more so as Czechoslovakia is a State largely dependent upon export trade. Other causes include the efforts towards self-sufficiency put forward in the markets formerly open to Czechoslovak exports, and the general advance in rational methods in industry. Among the general causes may be mentioned the following circumstances in particular:

The restrictions placed on emigration from Czechoslovakia by the laws of numbers of countries to which emigrants from the Republic formerly proceeded have stopped the regular eflux of labour, so that this element of unemployment weighed heavily on the domestic labour market during the recent depression.

The total data relating to population in Czechoslovakia shows a steadily growing percentage of wage-earners so that the labour market is increasingly depressed.

By specialisation and improvement in the quality of the country's output under the effects of world competition the percentage of persons in the higher categories of service has also increased, hence during the depression, there has arisen difficulty in finding employment for the intelligentsia.

During the depression there has been also observed an increase in the older classes of wage-earners, a specific feature indeed of years of decline in economic activity.

A special structural cause of increase in unemployment has been also seen in the fact that just in the years of the last depression the large number of persons born during the post-war years attained working age, which produced all the greater effect on the labour market owing to the fact that the market was not as absorbant as it had been formerly.

If we look at the statistics of the Czechoslovak labour market, it is plain for the reasons stated above, that between the tables of figures showing the number of employed (for example, the statistics of sickness insurance) and the tables of unemployment, i. e. statistics of the number of unplaced applicants for work, there cannot be exact agreement, because the labour market from the point of view of unemployment is influenced by a series of structural motives alien to the basic upward line of development of the labour market.

The administrative motives, connected mainly with the technique of ascertaining unemployment must also be taken into consideration here. The main statistics concerning the development of Czechoslovak unemployment give the number of unsuccessful applicants for work, though not the number of persons unemployed. Owing to the fact that application at a labour exchange is essential in order to obtain unemployment relief—and especially after the depression it assured participation in various social relief measures—it was obvious that the number of unsuccessful applicants for work would tend rather to increase than to diminish. Besides this, greater efforts were made during the years of the depression by the State administration to build up the labour exchange system, especially in the eastern parts of the Republic, which increased the attractions of exchanges for people seeking work, but which did not, in itself, always mean an increase in the level of unemployment.

It is a necessary to bear in mind that the statistics give the number of unsuccessful applicants for work, among whom there may be people who are seeking a better position, but who are not without work, and so cannot be considered as demonstrating the extent of unemployment. The way in which various administrative measures can influence the development of these data was shown particularly clearly in the year 1936. At the end of October 1936 returns con-

cerning the number of unsuccessful applicants for work showed a comparatively sharp decline in unemployment, whereas actually at this time, owing to seasonal reasons, a break in the spring improvement in the labour market occurs. The reason for this is to be found in the statistical technique resulting from Government Decree No. 217/1936 in the Collection of Laws and Decrees concerning labour exchanges, which came into force on the 1st October 1936. Owing to the obligation for every applicant for work to report at a public exchange, the total number of unsuccessful applicants for work did not include persons reporting also to private registry offices, so that the total number of unsuccessful applicants for work administratively declined compared with the previous months. Beginning this month the exchanges commenced to carry out a control of all applicants for work to ascertain if they were actually employed or not.

According to the statistics of the number of unsuccessful applicants for work it would appear at first glance as if the economic improvement in Czechoslovakia had developed comparatively slowly during the last few months. This impression is corrected, however, if one observes at the same time the number of persons insured under sickness insurance (as a certain indication of employment), although these statistics are on a narrower basis than the statistics of the number of unsuccessful applicants for work, because among others they do not include persons of independent employment.

The main data from the statistics of  
the Czechoslovak labour during the  
last few years:

	unsuccessful applicants for work		persons insured by the Central Social Insurance Institute	
	status during the year highest	lowest	status during the year lowest	highest
1929	55.224	32.701	1,939.358	2,694.936
1930	239.564	73.464	2,261.801	2,600.685
1931	486.363	210.908	2,070.418	2,524.452
1932	746.311	453.294	1,866.401	2,265.187
1933	920.182	622.561	1,661.259	2,034.956
1934	844.284	569.450	1,588.901	2,030.229
1935	833.194	557.706	1,626.299	2,082.051
1936*	860.239	441.679	1,733.500	2,234.184

The Czechoslovak labour market since  
the break in the last depression:

Increase (+) or decrease (—) in the number of persons registered in the statistics for the month in question compared in each case with the corresponding month of the preceding year:

In November of	employment (the total number of per- sons under sickness in- surance)	unemploy- ment (the number of unsuccessful applicants for work)
1933 (year of deepest depression) . . . . .	— 131.775	+ 33.676
1934 (slight improvement) . . . . .	+ 35.420	— 27.659
1935 (slight improvement) . . . . .	+ 140.637	+ 42.079
1936 (marked improvement) . . . . .	+ 160.534	— 175.264

The high level of unsuccessful applicants for work during the years of the depression in Czechoslovakia cannot be considered to its full extent as a sign of a high level of unemployment; similarly its improvement, which according to the statistical figures was comparatively slow, would obviously be more extensive if it were possible to exclude from the statistics all the influences which tend rather to veil its basic progress.

With the advance of the economic improvement in Czechoslovakia since the year 1934, which took on a more marked form in the year 1936, the problem of unemployment in Czechoslovakia is slowly becoming less acute.

## SOCIAL WELFARE.

### 1. Social Insurance.

Practically all non-independent, employed citizens must be insured for the eventuality of invalidity, illness, old age and death, the so-called social insurance. This is an insurance which assures the insured person of at least part compensation for the working income which they may lose by illness, invalidity or old age, while the dependents receive compensation for the loss of the working income of a deceased bread winner.

Sickness insurance of persons employed in private service is carried out through sick funds or insurance societies, the insurance

of public employees by the public servants sick fund. There are three main categories of insurance against invalidity, old age and death:

- a) Invalidity and old age insurance of workmen in private employment undertaken by the Central Social Insurance Institute.
- b) Pensions insurance of private employees in higher service carried out by the General Pensions Institute and subsidiary institutes.
- c) Insurance of miners carried out by the Miners Insurance (Friendly) Fund.

In 1930 an average of 2,445,000 workmen, 141,000 miners, 366,000 private employees in higher service and 599,000 public servants, a total of 3,551,000 persons came under sickness insurance.

In the year 1930 2,201,000 persons were covered by the workmen's invalidity and old age insurance, 138,000 by the insurance of miners, 357,000 persons by the pensions insurance for private employees in higher service, a total of 2,697,000 persons. Here, however, it is a case of the average number in which the person employed only for a part of the year (for example seasonal workmen) take a very small part. If they were all included the figures given would increase by 700,000—800,000 persons.

Social insurance is an important economic factor. In the year 1930 the total sum paid out as sick relief was 508 million Kč, and other sums paid as sick relief totalled 95 million Kč, invalidity and old age pensions 310 million Kč, allowances for dependents 121 million Kč, and other financial contributions 81 million Kč.

Expenditure on treatment represented 282 million Kč for medical attention, 200 million Kč for medicines and medical aids and other medical expenses came to 215 million Kč. Thus social insurance expended in the year 1930 on insured persons and pensioners, either in cash or in medical attention, a total of 1,812 million Kč. This expenditure has considerably increased since that time and is approaching 2,000,000,000 Kč. To these payments it is necessary to add also the pensions of public employees which in the year 1930 came, in the case of civil pensioners of the State, to 557, and in the case of pensioners of State undertaking, to 836 million Kč.

## 2. Unemployment Relief.

For cases of unemployment there is established in Czechoslovakia unemployment relief according to the Ghent system for organised workpeople and direct relief for non-organised workers. The total

unemployment relief paid out according to the Ghent system has, of course, considerably increased with the development of the economic crisis. From the minimum of 241½ million Kč in the year 1928, when organised relief represented 10½ million Kč and State contributions 14 millions, the outlay increased in the year of the deepest depression (1933) to 672 million Kč, of which organised relief represented 137 million Kč and State contributions 535 million Kč. The steady improvement in economic development enabled this outlay to be reduced in the year 1935 to 481 million Kč, of which 133 millions represented organised relief and 348 State contributions.

Of other social measures it is necessary to mention measures taken to protect the general consumer against increases in the prices of the necessities of life and thus assure the food supplies of the population. Unemployed persons who have no right to unemployment relief with State bonus according to the Ghent system, obtain relief through various distress schemes, such as the State feeding measures, milk, bread and coal distribution, Christmas donations, the supply of clothing and winter distress relief for the unemployed, etc.

### 3. Housing.

Building activities were encouraged by a series of laws from the years between 1919 to 1930 and by the law concerning the Building Fund. According to the status at the end of the year 1932 there existed in all:

- a) a subsidy according to the laws of 1919-24 for 67,605 flats at a total building cost of 4,963 million Kč;
- b) guarantee according to the laws of 1927-28 for 12,654 flats at a total building cost of 887 million Kč;
- c) guarantee of the State building fund for 2,823 flats at a total building cost of 232 million Kč;
- d) subsidy according to the law of the year 1930 for 34,043 flats at a total building cost of 2,016 million Kč.

As a result of these measures the level of housing conditions in Czechoslovakia improved. According to the census of 1930 there were in the larger towns a total of 1 million flats in which 3,857,000 persons were living. The greatest proportion of these flats consisted of flats with two main apartments (40.5%), after which came, respectively flats of 1 main apartment (22.5%), of three main apartments (18%), of four main apartments (9%), the remainder consisting of large flats.

#### 4. Public Poor Relief.

The guiding principle of public care of the poor which is carried out by all the poor law authorities throughout the Republic is based on the idea that the native parish must care for its members who have fallen into a state of need and poverty. In all the parishes of Czechoslovakia 372,727 persons were assisted in the year 1931 under the title of public care for the poor. Of the members of parishes who were directly assisted 67% were assisted for actual poverty and 33% for lack of work. The actual quota of the poor came to 217,000 persons, i. e. persons who, as demanded by law, had to be assisted by their home parishes for poverty. The outlay on public poor relief in all parishes in the year 1931 amounted to a total of 218 million Kč of which sum 183 millions was paid by the parishes out of their general receipts while 35 million Kč came from the general poor fund.

#### HEALTH, EDUCATION AND CULTURE.

The care of public health is concentrated in the hands of the Ministries of Public Health and Social Welfare. Care of health is carried out in the first place—besides institutions serving scientific purposes (university clinics)—chiefly by public hospitals and also by other hospitals, private sanatoria and then by institutes for the treatment of special complaints (asylums, mental homes, for pulmonary diseases, etc). At the end of the year 1935 there were 462 such institutions in operation in Czechoslovakia with 79,152 beds, and 916,000 nurses. The greatest proportion consisted of general public hospitals—166 institutions with 41,161 beds and 720,000 nurses. Other hospitals numbered 101 with 7,564 beds and 110,000 nurses. The special institutions are asylums, of which there are 22 with 16,877 beds, and tuberculosis sanatoria, of which there are 22 with 4,911 beds. The health of the population is in charge of 9,500 doctors and 1,500 chemists' shops.

In the sphere of physical culture Czechoslovakia has a well developed tradition. General gymnastics were organised as early as the middle of last century in associations of which the most important is the Czechoslovak Sokol Association with approximately 760,000 members. Then follow the gymnastic organisations of the political parties, such as the Catholic "Orel" association with 160,000 members, the Federation of Workers' Gymnastic Societies with 142,000 members and the Communist Association of Federated Workers' Gymnastic Societies. Of the German gymnastic societies it is necessary

to mention the Deutscher Turnverein with 200,000 members, the Arbeiter-Turn- und Sportverband with 34,000 members and the Christliche Deutsche Turnerschaft with 17,000 members. These organisations are supplemented by private gymnastic schools. Besides gymnastics an important place in physical culture is occupied by sports of all kinds, which are grouped into appropriate societies. The most important branch is that of football, which is organised in 2,240 clubs with approximately 110,000 players. Tourist organisations show a total of 219,000 members, grouped into two federations. A transitional formation between real physical culture proper and sportive recreation is represented by Czechoslovak scouting which is organised in two federations with almost 70,000 members. The chief centres of recreation are the aquatic recreation, sport and health centres, i. e. bathing places, swimming pools and swimming baths. By the middle of the year 1936, Czechoslovakia had, spread over 949 districts, a total of 1,412 public bathing places, swimming pools and swimming baths, including 97 curative baths and 34 winter swimming baths.

**The Schools.** Throughout the Czechoslovak Republic general compulsory school attendance between the age of 6 and 14 is in force. The number and the network of national schools is therefore very dense. In the year 1934-35 school year Czechoslovakia had a total of 19,865 elementary schools including 4,619 upper-elementary schools. A total of 2,388,000 pupils were taught, 1,832,000 in the national schools. According to language of instruction there were 13,672 schools employing the Czechoslovak language, 4,408 using German, 856 employing Hungarian, 602 employing Ruthenian, 167 using Polish, and 160 schools employing other languages.

Secondary and technical schools serve no fixed areas like the national schools, and attendance at them is voluntary. In the 1934-35 school year there were 736 technical schools in Czechoslovakia with approximately 90,000 pupils. Of these schools, 492 employed Czechoslovak as the language of instruction, 187 employed German, 9 Ruthenian, 5 Hungarian and 2 Polish. There were 346 secondary schools with 136,000 pupils. Of these, 247 used Czechoslovak as the language of instruction, 83 used German, 8 Ruthenian, 6 Hungarian, and 1 Polish.

There are 15 colleges of university rank in Czechoslovakia. They consist of 4 universities proper, 3 faculties (independent of universities), 4 colleges of technology, 3 other colleges and an art academy. Of these, 1 university and 2 colleges of technology employ German



as the language of instruction. All the other colleges employ either Czech or Slovak as the language of instruction. During the 1934-35 school year a total of 31,640 students attended the colleges, of which number 21,320 attended the universities. Of the total number of students 20,556 were of Czechoslovak nationality, 7,247 of German nationality, 1,558 Jews, 953 Hungarians, 479 Ruthenians and 142 Poles.

The extensive distribution of schools has resulted in illiteracy declining to a figure representing only 4% of the population of the State as a whole; illiteracy increase relatively from the west to the east of the State. In the year 1930 a total of 479,000 illiterate persons were recorded, of whom 294,000 were women.

The most important element of the press is political periodicals, of which 947 were issued in the year 1931. The non-periodical press issued 9,218 publications in the year 1935.

Popular Education activities are concentrated, for the most part in public improvement bodies which are again organised into local commissions and district committees. At the end of the year 1932 there were about 12,000 of these committees. The main emphasis in the activities of these committees is laid on lectures, of which over 51,000 were given during the year. Various courses are also given on different subjects. Besides this, amateur theatricals and marionette shows are given, educational films are shown, popular instructive entertainments and exhibitions, etc. are held. Popular educational activities are also carried out by other bodies and organisations, among which the army takes first place. Courses are arranged for illiterate soldiers, and military, agricultural and industrial courses are given: these activities are concentrated in the military rest and recreation rooms, of which there were 312 in the year 1935. However, even in the large gymnastic organisations, educational and welfare activities represent a considerable portion of the working programme, which in 1935 included 270,000 items of educational activity.

A large sector of popular educational activities is represented by libraries, especially after the passing of the law of the year 1919 concerning parish libraries, according to which every political district is obliged to establish its own parish library to be open to the public. All the libraries were placed under a uniform administration, supervision was provided for, and expert training secured for librarians. Parish libraries are, with a view to their steady extension, subsidised out of parish funds. Besides these parish libraries there exist special

educational and scientific libraries of which at the beginning of 1932 there existed a total of 2,133, containing about 12 million volumes.

D r a m a t i c a r t is represented in Czechoslovakia in 25 of the largest towns by 41 theatres, which gave 13,500 performances during the year 1935. Cinemas at the end of the year 1935 numbered 1,968 and they showed a total of 1,069,000 metres of film. Cinemas are in the hands of general utility corporations, there are only 170 privately owned cinemas.

Plastic art is served by 17 public picture galleries. There are 51 museums.

Wireless has developed rapidly in Czechoslovakia of late years. At the end of the year 1935 there were 6 broadcasting stations in operation. The number of listeners-in has reached the figure of 848,000.

# Agriculture

By LUDVÍK KONÍČEK, C. E.

Agriculture occupies an important place in the national economy of Czechoslovakia. According to the proportion of persons who are employed in agriculture, and according to the points of view by which the structure of agriculture in the national economy is characterised, Czechoslovakia belongs to the agrarian-industrial group of European states. In its western areas, industries predominate, while in the eastern areas agriculture predominates.

The existing natural and economic conditions enable the total surface area of land to be advantageously employed in numerous and diverse branches of production. The territory of the Republic is divided into the following areas of production according to the type of soil and climate: beet-growing, grain-growing, grain- and potato-growing and fodder-growing. The intensity of agricultural production advances from the areas of extensive fodder production to the intense beet-growing areas. The specially favourable qualities of the soil combined with particular climatic conditions lead in a few districts to the cultivation of crops of well-known and outstanding quality. These districts are: barley-growing (Haná), hop-growing (Žatec), vegetable-growing (Všetaty, Znojmo), fruit-growing (Litoměřice, Terešva), vine-growing (Mělník, Berehovo, Modrá), tobacco-growing (northern Slovakia), in the higher districts there are the flax-growing areas and excellent mountain pasture areas, the so-called polonina (highlands) in Carpathian Ruthenia.

Farm Groups	absolute number of farms	in %	total area of land in ha	in %
up to 1 ha . . . . .	464.182	28.1	215.673	1.6
from 1 to 5 ha . . . . .	704.023	42.7	1,868.968	13.8
from 5 to 10 ha . . . . .	258.076	15.7	1,825.842	13.6
from 10 to 20 ha . . . . .	147.317	8.9	2,053.704	15.3
from 20 to 50 ha . . . . .	58.871	3.6	1,655.476	12.3
from 50 to 100 ha . . . . .	7.302	0.4	505.018	3.7
from 100 ha onwards . . . . .	8.833	0.6	5,333.785	39.7
Total . . . . .	1,648.604	100	13,458.466	100

According to the farm census showing the condition on the 27th May 1930 there were, throughout the whole State, 1,648,604 farms having a total area of 13,458,466 hectares. Agricultural production is mainly in the hands of small farmers. Of the total area of all farms, the largest proportion is shown by the large farm group, though only because that group includes the majority of the forest areas.

The average size of farm is 8.2 ha, in the eastern provinces of the Republic it is, however, considerably higher than in the west of the country. This difference is connected with the degree of afforestation of the individual Provinces, which increases from the west to the east of the State. Forest represents in Bohemia 31.3%, in Moravia and Silesia 31%, in Slovakia 35.6%, and in Carpathian Ruthenia 49.4% of the total area of agricultural farms and undertakings.

The proportion of agricultural land to the total area of each individual farm is for each Province an indication of the degree of cultivation of the land, and also partly of the intensity of the production of the agricultural system. In regard to the soil which is at disposal for agricultural purposes in the narrow sense of the word, the significance of the large farms is much smaller than in regard to the total area of land.

The relative proportions of the individual crops, which is the

Province	Farm groups according to size					Total
	up to 1 ha	from 1 to 10 ha	from 10 to 50 ha	from 50 to 100ha	over 100 ha	
	agricultural land in ha					
Bohemia . . . . .	77.113	1,289.174	1,490.457	160.783	262.804	3,280.331
Moravia-Silesia . . . . .	67.016	762.467	729.001	52.728	121.881	1,733.093
Slovakia . . . . .	42.677	1,137.093	816.111	123.464	742.764	2,862.109
Carpathian Ruthenia . . . . .	11.295	265.266	125.236	17.383	180.997	600.177
The whole State . . . . .	198.101	3,454.000	3,160.805	354.358	1,308.446	8,475.710
in % of total area						
Bohemia . . . . .	92.2	93.1	83.1	71.5	17.9	66.2
Moravia-Silesia . . . . .	93.9	93.9	86.1	71.6	15.7	67.1
Slovakia . . . . .	88.7	93.5	88.1	67.7	32.1	61.1
Carpathian Ruthenia . . . . .	90.4	94.3	87.6	72.2	23.5	48.7
The whole State . . . . .	91.9	93.5	85.2	70.2	24.5	63.0

foundation for the organisation of farms, is a result of natural conditions and changes very slowly and slightly in the course of time.

According to the results of the census of farms of the year 1930. the total area is divided into the following individual species of cultivation:

arable land . . . . .	44.1 %	5,935.746 ha
permanent meadows . . . . .	9.7 %	1,308.090 ha
gardens . . . . .	0.7 %	89.286 ha
vineyards . . . . .	0.13%	17.670 ha
pastures . . . . .	8.3 %	1,117.207 ha
ozier beds . . . . .	0.06%	7.711 ha
<hr/>		
total agricultural land . . . . .	63.0 %	8,475.710 ha
forest . . . . .	34.4 %	4,630.889 ha
water areas . . . . .	0.5 %	62.781 ha
built-up areas . . . . .	1.0 %	138.881 ha
other barren areas . . . . .	1.1 %	150.205 ha
<hr/>		
total of all soil . . . . .	100.0 %	13,458.466 ha

The greatest area of all types of cultivation in Czechoslovakia is represented by arable land. Per unit of area it demands a greater output of labour and capital than meadows and pastures. Its proportion of the total area declines from the west to the east.

Province	Farm groups according to size					Total
	up to 1 ha	from 1 to 10 ha	from 10 to 50 ha	from 50 to 100ha	over 100 ha	
	agricultural land in ha					
Bohemia . . . . .	51.651	984.262	1,135.977	117.882	188.028	2,477.800
Moravia-Silesia . . . . .	57.683	632.606	585.894	35.428	84.344	1,395.955
Slovakia . . . . .	35.087	864.374	580.829	55.724	280.104	1,816.118
Carpathian Ruthenia . . . . .	7.959	147.752	59.765	5.052	25.345	245.873
The whole State . . . . .	152.380	2,628.994	2,362.465	214.086	577.821	5,935.746
in % of total area						
Bohemia . . . . .	61.8	71.1	63.3	52.4	12.8	50.0
Moravia-Silesia . . . . .	80.8	77.9	69.2	48.1	10.8	54.1
Slovakia . . . . .	72.9	71.1	62.7	30.5	12.1	38.7
Carpathian Ruhenia . . . . .	63.7	52.5	41.8	21.0	3.3	19.9
The whole State . . . . .	70.7	71.2	63.7	42.4	10.8	44.1

In Moravia-Silesia and in Bohemia this proportion is much higher than in Slovakia and Carpathian Ruthenia, where the extensive type of farming still predominates. The conditions in the cultivation of market gardens are similar. Permanent meadows are mainly found in Carpathian Ruthenia and in Bohemia, followed by Slovakia and Moravia-Silesia. The greatest proportion of vineyards are in Carpathian Ruthenia and in Moravia-Silesia. The extensive cultivation of pasture land predominates in the east of the Republic. Czechoslovak agriculture has, however, undergone considerable change during the last few years. In the western districts the development tends to a decline in extensive culture (pasture land and meadows) in favour of more intensive cultivation, and a sharp decline in fallow land in the eastern districts points to the spread of more efficient farming methods to the east of the Republic.

In 1930 arable land was employed to grow the following individual crops:

cereals . . . . .	60.7%
root crops . . . . .	17.1%
fodder . . . . .	16.5%
commercial and industrial	
crops . . . . .	0.9%
vegetables . . . . .	0.5%

### CROP PRODUCTION.

The basic character of the production of cereals is shown by the proportion of cereals, root crops, and pastures to the total area of arable land.

		Farm groups according to size					Total
		up to 1 ha	from 1 to 10 ha	from 10 to 50 ha	from 50 to 100 ha	over 100 ha	
		arable land					
Cereals	ha	77.104	1,612.993	1,456.528	125.599	329.446	3,601.670
	%	50.6	61.4	61.7	58.7	57.0	60.7
Root crops	ha	56.527	491.561	327.179	35.987	105.372	1,016.626
	%	37.1	18.7	13.8	16.8	18.2	17.1
Pastures	ha	14.039	400.637	431.748	37.577	98.001	982.002
	%	9.2	15.2	18.3	17.6	17.0	16.5

Practically  $\frac{2}{3}$  of the total area of arable land in Czechoslovakia is devoted to the production of cereals. All kinds of cereals are grown and the proportionate intensity of their production is shown by returns made in the year 1930 (sowings):

	wheat	rye	barley	oats	maize	total cereals
Bohemia . . . . .	11.0	23.0	8.6	16.5	—	59.2
Moravia-Silesia . . . . .	10.3	19.1	11.9	15.1	0.9	57.7
Slovakia . . . . .	20.0	11.6	17.2	10.7	5.0	64.8
Carpathian Ruthenia	16.0	11.5	1.2	12.9	20.1	62.0
The whole State . . . . .	13.8	18.1	11.7	14.3	2.6	60.7

In the production of cereals in 1930, as far as the area of production is concerned, rye took first place, then came oats, while

	Wheat				Rye			
	area sown in ha	% of arable land	yield in 100 q	yield per ha	area sown in ha	% of arable land	yield in 100 q	yield per ha
1930	795.080	13.4	137.729	17.4	1,046.335	17.6	178.757	17.2
1931	824.408	13.9	112.216	13.5	999.647	16.8	138.768	14.0
1932	835.414	14.1	146.249	17.5	1,039.615	17.5	217.588	21.1
1933	918.889	15.5	198.461	21.6	1,045.658	17.6	208.554	19.9
1934*	930.987	15.7	136.116	14.6	988.101	16.6	152.327	15.4
1935	963.174	16.2	168.996	17.5	1,008.851	17.0	163.840	16.2
1936	927.262	15.6	151.273	16.3	1,009.216	17.0	143.640	14.2

	Barley				Oats			
	area sown in ha	% of arable land	yield in 100 q	yield per ha	area sown in ha	% of arable land	yield in 100 q	yield per ha
1930	674.774	11.4	121.779	17.0	823.342	13.9	130.782	15.9
1931	718.283	12.1	107.461	15.0	822.029	13.8	122.461	14.9
1932	711.690	12.0	150.490	21.2	817.316	13.8	166.383	20.4
1933	657.917	11.1	121.308	20.4	799.787	13.5	140.241	19.7
1934*	655.785	11.0	103.438	15.7	783.324	13.2	117.897	15.1
1935	645.110	10.9	106.142	16.5	768.097	12.9	102.712	13.4
1936	633.417	10.7	101.887	16.1	764.037	12.9	121.837	15.9

\* From 14. July 1934 grain monopoly.

wheat attained only third place. In the following years, however, considerable changes took place in the structure of cereal production.

From statistical returns of the results of the harvests of the main types of cereals during the years 1930-36 a marked increase in the production of wheat, which reached its maximum in the year 1935, is apparent. At the same time the areas under all the other types of cereals declined. During this period it was also necessary, owing to the world sugar crisis, to effect a considerable restriction in the cultivation of sugarbeet and this resulted, especially in the areas of the most intensive cultivation, in an economically harmful disappearance of root crop fodder from the sown fields. The area thus set free was also employed for an undesirable increase in the production of wheat. The shifts thus arising in crop production went so far in recent years that, in the case of wheat, Czechoslovakia showed a surplus in place of the former deficit, though previously it had lost the possibility of exporting its surplus crops and agricultural products: barley, malt, oats, sugar, hops, beer, timber, etc.

From the point of view of production this development was also a natural one, for the reason that the sale of wheat on the home market met with comparatively little difficulty compared with the other cereals and, as a result of this, its price oscillations were smaller than those of any of the other cereals.

Year	I m p o r t			E x p o r t			
	wheat		maize	barley	malt	oats	hops
	grain	flour					
	w a g g o n s o f 1 0 0 q						
1930	29.138	18.989	27.365	14.302	14.109	5.726	902
1931	41 742	2.723	67.610	5.655	12.333	1.546	1.056
1932	32.360	3.618	31.463	17.504	7.097	12.232	559
1933	27.962	1.458	17.834	7.576	7.275	6.831	500
1934*	225	90	21.387	5.300	7.494	1.029	646
1935	9.537	78	12.183	4.570	6.232	605	492

\* From 14. July 1934 grain monopoly

The whole of this period saw a series of legal provisions by which protection was sought for the home agricultural production against cheap foreign competition, and which were intended to contribute towards improving the prices of agricultural products at home and



to make agricultural undertakings once more pay their way. After a series of provisional measures the Czechoslovak Grain Society was founded by Government Decree of 13th July 1934 (No. 137 in the Collection of Laws and Decrees) with monopoly rights to purchase, sell, import and export grain, milled products and fodder. The aim of the Monopoly is to raise the level of prices and counterbalance price oscillations. The monopoly system of trade in grain enables a better survey to be obtained of the extent of grain output and of the mutual relations of production and consumption. The better survey of the state of supplies enables the Czechoslovak Grain Monopoly effectively to fulfil its obligations under commercial treaties in the import of agricultural products and in giving support in respect of the crops of which there has been shown to be a surplus.

Root crops form, owing to their extent, the second most important crop, since they take up 17.1% of the arable land. Of root crops the most important both as far as extent and results of cultivation is concerned are potatoes and sugarbeet. According to the condition in 1930, potatoes took up 11.6% and sugarbeet 3.8% of the total area of arable land.

Potatoes, as regards the area under cultivation, shewed a firm upward tend. They are cultivated chiefly by the smallest farms to supply domestic needs. On larger farms and big undertakings they are used as fodder for the animals and they are also worked up in distilleries and starch factories.

Sugarbeet is a crop grown on the larger and the big farms and the extent of its cultivation depends upon the production and sale

Year	Grop area in ha	Total crop in quintals	Average per ha	Sugar output in q of raw sugar	Export in q of raw sugar	Average price per 100 kg of raw sugar from Ústí n./L.
1927	294.231	79,589.389	270.5	12,541.398	8,129.538	197.90
1930	224.030	64,213.344	286.6	11,412.460	5,701.090	94.29
1931	186.505	52,408.400	281.0	8,193.250	5,051.570	73.54
1932	145.928	39,614.200	271.9	6,371.120	2,795.540	57.83
1933	145.030	29,135.019	201.1	5,190.320	1,661.250	57.56
1934	158.849	42,408.348	267.0	6,377.200	2,219.610	51.79
1935	156.704	36,523.461	233.1	5,706.870	1,677.200	49.29

of sugar. For this reason its area of cultivation for the same period shows a severe decline compared with the year 1930.

Czechoslovak agriculture is undergoing structural changes in production. The substance of the efforts for the so-called "planned" system of farming consists in replacing the exaggerated production of grain by a return to all-round production. The planned system reckons with the introduction and extension of these substitute crops at the expense of grain. These crops consist mainly of oleagenous crops (winter rape, linseed, soya, sunflowers and poppyseed) and textile crops, chiefly flax and hemp.

### STOCK BREEDING.

The number of domestic animals was last ascertained at the beginning of the year 1936. Owing to the fact that this year was preceded by two dry summers with subnormal fodder harvests, the winter status of cattle and pigs, that is, the group on which stock-breeding centres, shows a decline compared with its previous status. The number of pigs, which is ascertained twice a year, shows great fluctuations, and on 1 July 1936 pigs numbered 3,188,697 including 472,139 breeding sows. This sharp rise in the summer status compared with the condition in the winter shows that pigbreeding is once again on the advance.

Year	Horses	Cattle		Pigs		Sheep
		total	including cows	total	including breeding sows	
1925	740.202	4,691.320	2,331.461	2,539.201	304.559	861.128
1930	—	4,457.522	2,433.830	2,776.215	441.821	607.612
1931	—	4,450.965	2,464.616	2,575.921	348.760	531.125
1932	707.579	4,341.351	2,476.570	2,621.235	445.282	465.093
1933	700.658	4,404.796	2,516.905	3,429.919	557.621	475.881
1934	701.081	4,304.529	2,500.226	3,031.846	452.115	510.101
1935	695.003	4,283.071	2,437.214	2,744.745	425.062	547.050

From the statistics of farms carried out as of 27 May 1930 it is possible to judge the intensity of the breeding of domestic animals according to the individual Provinces and according to the various size-groups of farms.

Cattle breeding both as regards the number kept and in relation to the area of agricultural land, is the most important branch of stockbreeding. The average for the whole State is 53.4 head per 100 ha of agricultural land. In Bohemia there are 69.4 head per 100 ha, in the eastern districts this average gradually declines and in Slovakia and Carpathian Ruthenia it reaches a figure far below the average for the whole State. The intensity of cattle breeding declines as regards the whole State and the individual Provinces in the direction from small to large farms, both absolutely and relatively. In Slovakia and Carpathian Ruthenia stockbreeding on the smallest farms is of greater importance than in the same category of farms in the western districts, but on the contrary, in the case of farms of more than 50 ha, it is of considerably less importance than in the west. It depends partly on the proportion of agricultural land to forest land and partly to the proportion of pastures and meadows to arable land.

From the point of view of milk production the proportion of cows to the total number of cattle is important. The average for the whole State is 54.6%. It is most favourable in Moravia-Silesia but in Slovakia and Carpathian Ruthenia it falls considerably below the average for the State as a whole. Throughout the State the number of cows declines gradually from the smallest farms to the groups of large country estates, the large estates in the western Provinces, however, devote themselves more to dairy production than the large estates in the east.

#### Milch cows.\*)

Size of farms	Bohemia		Moravia-Silesia		Slovakia		Carpathian Ruthenia		The whole State	
	head	%	head	%	head	%	head	%	head	%
up to 1 ha . . .	24.156	75.7	15.662	72.4	22.646	71.9	10.547	67.7	73.011	72.6
from 1 to 10 ha . . .	687.903	63.1	341.207	65.9	349.828	56.0	79.707	51.1	1,458.645	61.1
from 10 to 50 ha . . .	434.272	44.7	198.667	49.9	117.717	44.6	13.630	42.5	764.286	45.9
from 50 to 100 ha . . .	35.796	48.5	10.211	47.8	7.366	40.5	554	40.9	53.927	47.0
over 100 ha . . .	62.863	57.9	24.792	53.7	32.132	33.7	1.616	35.2	121.403	47.7
Total . . . . .	1,244.990	54.7	590.539	58.8	529.689	51.3	106.054	50.6	2,471.272	54.6

\*) According to returns of the year 1930.

Pig breeding is a typical branch of the smaller farms, and as the farms increase in size its importance declines rapidly. According to the absolute number of pigs kept the order of the Provinces is as follows: Bohemia, Moravia-Silesia, Slovakia and Carpathian Ruthenia. Relatively, however, Moravia-Silesia takes first place with 48.8 head per 100 ha of agricultural land, then follow Bohemia with 35.8, Slovakia with 26.5 and Carpathian Ruthenia with 21.6. The status of pig breeding shows much greater oscillations than cattle breeding. Pig breeding is regulated chiefly by the price of pigs and the cost of fodder. The number of breeding sows is a sensitive indication of the extent of future breeding and prices.

Breeding sows. \*)

Size of farms	Bohemia		Moravia-Silesia		Slovakia		Carpathian Ruthenia		The whole State	
	head	%	head	%	head	%	head	%	head	%
up to 1 ha . .	2.496	3'7	3.348	3'0	9.179	10'9	1.952	13'9	16.975	6'1
from 1 to 10 ha	69.422	12'4	59.652	13'5	60.717	13'9	17.363	19'1	207.154	13'6
from 10 to 50 ha .	93.504	19'5	50.646	19'0	30.026	18'3	3.776	20'8	177.952	19'2
from 50 to 100 ha .	6.888	20'9	2.064	17'3	2.075	16'4	133	17'8	11.160	19'2
over 100 ha	6.359	18'7	2.369	14'9	8.696	14'1	1.113	19'3	18.537	15'8
Total . . . . .	178.669	15'2	118.079	14'0	110.693	14'6	24.337	18'8	431.778	14'9

\*) According to Census of farms of 1930.

The consumption of meat and fat is not covered by home production.

The consumption of meat and fat in kg  
per head of population:

Year	Meat			Fat	
	total	beef	pork	total fats	pork
1926	27'04	11'95	11'70	6'64	5'69
1927	27'10	12'43	11'37	6'57	5'45
1928	29'20	13'11	12'51	6'72	5'68
1929	28'70	13'05	12'18	6'80	5'81
1930	28'10	12'07	12'73	6'51	5'60
1931	28'73	11'56	13'76	6'12	5'22
1932	27'22	12'03	11'62	5'59	4'61
1933	25'40	11'07	11'24	5'13	4'22
1934	28'50	11'58	13'52	5'44	4'57
1935	27'28	11'38	12'63	5'24	4'41

Regulation of the import of cattle and stock products has been entrusted since the 1 April 1933 to the so-called Stock Syndicate.

#### Import of cattle and stock products:

Year	Head of horned cattle	Pigs		bacon (tons)	pork fat (tons)
		under 120 kg each	over 120 kg each		
1926	62.732	320.667	109.876	4.974	31.484
1927	17.268	521.118	157.048	4.145	28.281
1928	5.730	719.055	134.395	4.222	27.323
1929	91.962	645.152	151.635	4.455	30.163
1930	95.561	400.447	136.565	3.211	23.842
1931	19.087	9.275	178.063	1.881	20.594
1932	836	372	136.016	1.615	18.823
1933	292	184	109.619	1.964	13.512
1934	479	37	82.736	1.444	12.035
1935	1.005	179	195.630	1.656	8.074
1936	1.216	215	289.207	2.948	13.937

Horse breeding is a feature mainly of Slovakia and Moravia-Silesia. Throughout the State there are 8.1 horses per 100 ha of agricultural land. In Slovakia and especially in Carpathian Ruthenia the greatest proportion of the horses falls to the smaller farms, in the other Provinces to the largish farms.

Sheep breeding increases from west to east and the intensity of breeding with the area of the farm. In the case of goat breeding the conditions are exactly reversed. Poultry is kept mostly by the small farms; on the larger farms poultry farming is declining both absolutely and relatively.

Pisciculture takes up an area of over 46,000 ha chiefly in the poorer districts. The annual catch exceeds 30,000 quintals. The main species bred are carp (90%) followed by pike and tench. Lately greater attention has been paid to the breeding of perch, trout and salmon-trout. With the carrying out of land reform on the large estates many ponds were transferred into the hands of the State, which manages them on rational lines (Treboň carp). Very good conditions for the breeding of trout exist in the streams of the frontier mountain ranges (High Tatras and others), where groundling, grayling and other kinds of fish provide excellent sport.

In the districts with extensive ponds (South Bohemia) and other waters (South Moravia, Danube) there are plenty of water fowl (wild geese and ducks, cormorants, herons and others).

The most favourable climatic and agricultural conditions for the rearing of silkworms are found in South Slovakia.

Beekeeping varies considerably from year to year. In the production of honey Czechoslovakia is self-sufficing, but she is not so in the case of wax.

### TIMBER PRODUCTION.

For wealth of forest Czechoslovakia takes a foremost place in Europe. According to the census of farms in the year 1930 the forests represented 4,630,889 ha, i. e. 34.4% of the total area of the country. The considerable extent of forest is not a sign of the extensive exploitation of the land but merely corresponds to the natural conditions of production. The forests, on the other hand, by their influence on climatic conditions and their distribution of moisture protect agricultural land and appropriately supplement it.

The share of forests in the total area of farms systematically increases both as regards the whole State and in the individual Provinces, from the smallest to the largest farms, which latter include

The share of forests in the total area of farms.

	Size-group of farms					Total
	up to 1 ha	from 1 to 10 ha	from 10 to 50 ha	from 50 to 100 ha	over 100 ha	
Bohemia . . . . .	1.099	66.935	274.542	57.968	1,153.376	1,553.920
Moravia-Silesia . . . .	570	33.483	104.576	19.402	642.588	800.619
Slovakia . . . . .	333	33.202	81.781	52.738	1,499.516	1,667.570
Carpathian Ruthenia . .	36	6.143	13.576	6.295	582.730	608.780
The whole State . . . .	2.038	139.763	474.475	136.403	3,878.210	4,630.889
Area of forest per 100 ha, of total area						
Bohemia . . . . .	1'3	4'8	15'3	25'8	78'4	31'3
Moravia-Silesia . . . .	0'8	4'1	12'4	26'3	82'5	31'0
Slovakia . . . . .	0'7	2'7	8'8	28'9	64'8	35'6
Carpathian Ruthenia . .	0'3	2'2	9'5	26'1	75'6	49'4
The whole State . . . .	0'9	3'8	12'8	27'0	72'7	34'4

the greatest portion of forest land. Both the eastern Provinces, especially Carpathian Ruthenia, show a considerably larger proportion of forest to the total area of farms than the western Provinces.

The average production capacity of the Czechoslovak forests is very large: the annual increase of timber per 1 ha is 3.4 cubic metres.

This comparatively large production presupposes a corresponding consumption. In this connection the timber production is also dependent on foreign markets, and this dependency manifested itself as one of the most immediate causes of the depression in timber production. The difficulties were further increased by elemental calamities so that it was impossible to find a sufficient market for the increased output of timber, even at greatly reduced prices, owing to stagnation in the consumption of timber and the reduced possibilities of export. A further worsening of the situation could only be prevented by a special adjustment of output of timber and of timber growing. This was done by Government Decree of 5th August 1933 (No. 170 in the Collection of Laws and Decrees). The far-reaching restriction of the output of timber brought about a certain improvement as early as 1934, so that the Timber Syndicate which commenced its activities in May 1934 was able to allow an increase in normal fellings and partially to permit of special fellings, which were availed of mainly for export trade. The restrictions on timber output are being gradually lifted and the Timber Syndicate acts, in view of the improved conditions in the timber market, with the greatest liberality in permitting fellings.

The Czechoslovak forests are distinguished for the numbers and diversity of their game, for the breeding of which Czechoslovakia has unusually favourable areas and natural conditions. Fertile areas with well cultivated fields are notable for their large numbers of ground game, mainly hares and partridges. Districts with medium areas where fields and woods alternate, are renowned for their pheasants, rabbits and roe deer, while the thickly wooded areas, especially those in the eastern Provinces boast of an unusual quantity of high game (Carpathian and Marmarosh stags), and wild boar. In this area there are also found—as a unique feature in Central Europe—several rare species of beasts of prey, notably the bear, the lynx, the wolf, the wild cat, together with birds of prey like the vulture, various kinds of eagles, the eagle-owl, the raven, etc. The

High Tatras can also boast of numbers of strong and healthy chamois and marmots. In the numerous natural preserves, and sometimes even in the free, herds of fallow deer and mufflons roam about. In addition, Czechoslovakia has also satisfactory numbers of black-cock, capercailzie, woodcock, bustard, snipe, wild pigeon, and numerous noxious animals such as the fox, badger, otter, marten, polecat, weasel, ermine, musk-rat, etc. The annual bag of utilitarian and noxious fur-bearing animals runs into the thousands.



# Trade and Industry

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The structure of Czechoslovak production as a whole is characterised by the existing well-balanced proportion between agricultural and industrial output. According to the two censuses (1921 and 1930) the total population of the Republic followed the following main groups of professions:

	Census 1921	Census 1930	Increase or decrease against 1921
Agriculture, forestry and fishing . . . . .	5,384.787	5,101.614	— 5.26%
Trade and Industries	4,552.398	5,148.051	+ 13.08%
Commerce, banking and transport . . . . .	1,445.976	1,908.531	+ 31.99%
Total with all other branches of profes- sions . . . . .	13,612.424	14,729.536	+ 8.21%

It is evident that the development during the first ten years is characterised by a speeding up of the industrialization process, both directly in trade and industrial productions as well as in the subsidiary branches of these productions (commerce, banking and transport). Here this tendency shows itself in better sales methods, better organised storage, advertisement and information services, that is to say, efforts to improve and expand markets.

A census of industrial concerns in the Czechoslovak Republic according to the status of the 27th May 1930 presented the following picture of the total structure of commercial and industrial undertakings and their capacity.

Industries showed a total on the territory of the Republic:

Branch (selected main branches)	Number of concerns	Persons employed	Power employed in H. P.
Mining, peat raising, coke and briquette production . . . . .	425	121.092	424.287,8
Stone and clay industry . . . . .	11.518	165.372	191.405,7
Glass industry . . . . .	10.449	63.529	37.947,2

Branch (selected main branches)	Number of concerns	Persons employed	Power employed in H. P.
Metal industry . . . . .	43.837	390.977	736.143,8
Chemical industry . . . . .	1.385	40.571	82.660,1
Textile industry . . . . .	39.953	360.107	423.961,7
Paper industry . . . . .	2.827	39.736	118.703,2
Printing industry . . . . .	3.099	32.347	19.809,5
Leather industry . . . . .	5.433	22.967	25.301,8
Rubber and asbestos industry	84	4.008	6.104,0
Timber industry . . . . .	46.289	174.471	216.706,2
Turning industry . . . . .	1.317	7.023	4.228,0
Brushmaking industry . . . .	1.149	4.187	1.431,2
Musical instruments industry	2.234	7.564	2.810,9
Toymaking industry . . . . .	473	2.804	1.496,4
Provisions, foodstuffs and beverages . . . . .	60.174	238.119	509.332,5
Clothing and bootmaking industry . . . . .	115.152	284.284	34.279,8
Building trade . . . . .	27.588	297.303	30.571,4
Shopkeeping . . . . .	205.984	403.856	17.220,9
Banking . . . . .	10.150	30.586	550,5
Insurance . . . . .	857	17.096	493,6
Transport (other than the railways and posts) . .	16.077	33.573	3.688,7
Total for the whole State (including branches not specified here) . . . .	720.007	3,076.982	3,022.482,8

The total extent and capacity of these branches is apparent from the following table:

Survey according to class of undertaking.  
(Status on 27th May 1930.)

	Number of concerns	Persons employed	Mechanical power in H. P.
All production branches . . .	378.015	2,291.897	2,923.544,4
Commerce, banking and in- surance . . . . .	299.927	657.405	82.886,5
Other classes of undertakings	42.065	127.680	16.051,9
Total number of concerns . .	720.007	3,076.982	3,022.482,8

As far as the number of undertakings is concerned the two main groups, production and commerce, are about at the same level, a marked superiority is shown however both as regards the number of persons employed and especially in the driving power employed in the case of industrial production.

The greatest number of concerns is concentrated in the branches of trade undertakings and especially in the main branches of the cottage industries. In the clothing and boot trade and the provisions, timber, metal and textile industries, 81% of all the factories come under the heading of industrial production, but only 63% of the total of persons employed are in this group.

As far as the number of persons employed is concerned, the most important branches are the metal and textile trades (together about one-third of all the persons employed in production), further the building trade, the clothing and boot industries and the food and provisions industries.

Motive power is concentrated chiefly in the metal trade (with one-fourth of the ascertained driving power), as well as in the food and provisions, textile and mining industries.

If we divide the branch of production enterprises into the industries turning out the means of production and industries turning out articles of consumption (according to the special sources as given in the statistics of the State Statistical Office) we see that the industries turning out articles of consumption represent 75.6% of all concerns, 54.5% of all persons employed and 59.0% of all the motive power employed.

The above data of the census of industrial enterprises includes also cottage industry undertakings. In the production branches there were also 69,739 of these (i. e. 18.5% of all production factories), employing 95,719 persons (4.2%). Of this total of employed persons the greatest proportion were concentrated in the textile (42.6%), clothing and boot (33.1%), and glass trades (11.5%).

As far as size of undertakings is concerned the composition of industrial concerns shows a typical predominance of small undertakings. Small undertakings (employing up to 5 persons) represented in all branches of production 89.2% of the total number of undertakings, these, however, employed only 26.2% of the total number of persons employed in their branch, and only 10.4% of the total motive power employed. The group of large undertakings (employ-

ing more than 20 persons) represented only 3.4% of the undertakings, but 62.2% of the persons employed and 83.0% of the driving power used.

The figures relating to the smallest and the largest undertakings are interesting. The smallest undertakings (employing only the owner), represented, in the class of productional concerns 42.6%, of which practically one half fell to the clothing and boot trade. An analogous census of the cottage industries showed that one-man concerns represented 72.6%. The largest concerns (employing more than 500 persons) numbered 463 but of these only 14 were outside the branch of production. Factories employing more than 2500 persons were represented only in the sphere of industrial production.

The number of women employed in all the industrial undertakings was 859,088 (27.9% of the total number of workers employed), or in the case of industrial undertakings (24.7%). In the case of cottage industries a large proportion of women were employed (55.6%).

Among the industries the greatest number of women were employed by the textile trade (38.2%), by the clothing and boot trade (22.4%) and the foodstuffs industry (10%). In the case of women employed in the cottage industries the greatest number take part in the textile industry (54.2%), and the clothing and boot trade (28.2%).

There are comparatively few independent persons operating in the branches of industry in Czechoslovakia. Independent undertakers carrying on a business with hired means in Czechoslovakia represented only a little over one-fourth of all lucratively employed persons, the other three-fourths are workers for pay or wages. This is a result of the pressure of competition, especially as regards sale in foreign markets; undertakings having had to centralise and rationalize production and to use considerable capital, for which the means of an individual would be insufficient. This steady concentration or collectivisation in the form of commercial companies with the direct or indirect participation of a bank as a financial centre medium is a further basic feature of industrial production in Czechoslovakia. For example in the case of mining and smelting only 59 independent entrepreneurs (including tenants) were registered, while in the building trade, machine, paper, printing, stone and clay, chemical and glass industries they represented less than 10% and in the case of the textile industry only 2.8%. The undertakings for the supply of heating and light (electric power stations, gas works, etc.) were practically entirely in the hands of public bodies.

Another special feature of industrial production in the Czechoslovak Republic is its marked export character. This is to be attributed chiefly to the high quality of the output, the up-to-date methods of production, and the world-wide reputation of Czechoslovak products in foreign markets. Historical reasons connected with the origin of the Czechoslovak Republic also helped to make industrial production more dependent on export trade. The productional undertakings on the present Czechoslovak territory, founded and worked in the former Austro-Hungary on the basis of a much more extensive, customs-free market were left, on the collapse of the Monarchy, with the limited market of their own State. In particular, from the point of view of consumption and customs technique, they were deprived of the important centres of consumption in the former Monarchy, such as Vienna and its suburbs; what was formerly their own country became for them a new foreign customs area, and undertakings which formerly produced mainly for the home market became undertakings dependent to a much greater extent on export trade.

The shift had not been proportional to the territorial distribution of the former Monarchy, for precisely on the territory of the present Czechoslovak Republic there had existed the densest network of industrial undertakings in the Monarchy: the industries were thus faced, even from this angle, with the necessity of finding a solution to the questions of structure and technique connected with the disposal of their output, and were compelled to seek new markets. For example, on the foundation of the Republic, according to the special estimates in the individual branches of industry the following percentage of the total number of undertakings of the former Monarchy were on Czechoslovak territory: in the cotton industry about 75% of the spindles and 90% of the looms, in the woollen trade about 85%, in the linen trade some 97% of the spindles, about 90% of the spindles in the silk weaving mills, in the jute branch about 85% of the spindles, about 80% of the factories engaged in the hat making industry, 43% of the cellulose factories, 52% of the paper mills, in the case of the boot trade about 90% of the Austrian exports, in the case of the iron industry 12,300,000 q of pig-iron out of the 23,800,000 q produced, the porcelain industry was practically entirely concentrated on the territory of the present Republic, about 21% of the total capacity of the mineral oil industry, 80% of the match production, in the case of the brewing industry 2,400,000 q out of the total production capacity of 2,600,000 q fell to Czechoslovakia, about 70% of the

Austro-Hungarian sugar production, of the distilleries in the Cis-leithanian area not including Galicia 84.8%, practically the whole of the starch industry, and in the case of breweries 52% of the Austro-Hungarian production, etc.

After a comparatively short post-War period of free international trade the sale of Czechoslovak industrial products abroad was further hindered by the rising wave of world-wide commercial protectionism. In respect of the difficulties connected with the marketing of products abroad during the years of the latest world depression, it is a significant fact that Czechoslovakia was formerly dependent to a very large extent for her markets on exactly the areas most effected and the countries with the strictest currency restrictions in Europe at this time.

As a result of world efforts to promote self-sufficiency in the individual states, new structural tendencies in the international exchange of goods have appeared in the last few years. Practically every state in the case of imports demands raw materials and declines finished goods, though, on the other hand, in the case of exports they try to obtain better export possibilities for finished goods. This results in an increasing world demand for raw materials, but is an obstacle to the marketing of finished goods.

Czechoslovakia ranks among those states with a comparatively poor domestic supply of the basic raw materials; and is compelled to import them. To assure these essential imports by the export of finished goods is therefore an important task for Czechoslovakia. Thus the greatest importance from the angle of national economy falls to exports, especially those of industrial products, since the profits thus obtained provide the means and the exchange for the purchase of the necessary raw materials.

The distribution of trade and industrial undertakings in the Republic is determined both by historical causes and especially by the following economic considerations:

1. The existence of raw materials for industrial working.
2. The distribution of coalfields, and the rivers and streams as sources of energy.
3. The proximity of manufactories of intermediate products to the concerns improving and completing them.
4. Lie of the territory from the point of view of transport.

5. Grouping of centres of consumption, or areas with common standard demands.

6. Areas of little utility in other branches of production as sources of labour.

7. Considerations of transport tariffs, and export, etc.

Generally speaking the territorial division of industrial production in Czechoslovakia is such that the Western parts of the Republic (Bohemia and Moravia-Silesia) have chiefly an industrial character, while the East of the Republic (Slovakia and Carpathian Ruthenia) has the character of an agricultural area.

The centres of industrial activities in Bohemia are chiefly: the zones along the north-west and north-east frontiers of Bohemia which are provided with all kinds of industries, the central Bohemian (Elbe valley) district, the area of food manufactories and the western Bohemian industrial area (Kladno district, the Brdy belt and Plzeň and its surroundings). In Moravia-Silesia: the Moravian-Silesian industrial area on the eastern frontier, the area of textile industries in northern Moravia and the food manufacturing areas of central Moravia and the Dyje and Svratka Valleys. In Slovakia the chief industrial areas are in the north-west and central areas.

Trade and industry is concentrated to a noteworthy extent in the capital towns, especially in Praha, Brno and Bratislava.

The greatest proportion of the industries is in townships on the railway.

Cottage industries form an extensive area stretching in a belt of varying width and intensity along the north-west, north-east and south-east frontiers of Bohemia and extending from there into the central and northern parts of Moravia-Silesia.

Classified according to branch of production Czechoslovak industrial production is very comprehensive, embracing all branches of output, both of the traditional types of goods as well as branches of newly introduced production. They may be divided into the following main groups:

1. Mining and Smelting.
2. Metal and Machine industry.
3. The Ceramic, Stone and Glass industry.
4. The Textile and Ready-made Clothing industry.

5. The Tanning and Leather industry.
6. The Timber trade.
7. The Chemical, Paper and Printing industry.
8. Electric power stations and Gasworks.
9. Agricultural industry.
10. Provisions industry.

A review of industrial production as regards its extent, articles produced and territorial location according to the latest available data follows.

## 1. MINING AND SMELTING.

Mining in Czechoslovakia is marked in the first place by the output of pit-coal and lignite. In the year 1935 the output of pit-coal was 10,894,000 tons, and of lignite 15,114,000 tons, both kinds together representing a total value of about 1,811 million Kč.

Of the other kinds of mining products the following come into consideration: the output of iron ore (731,000 tons including 242,000 tons of iron to the value of about 41 million Kč in the year 1935), manganese ores (71,000 tons containing 12,000 tons of manganese), the output of raw Ag-Pb-Zn ore (151,000 tons containing 150.8 kg of gold, 31,600 kg of silver, 3,800 tons of lead and 1,600 tons of zinc), iron pyrites (20,000 tons containing 7,600 tons of iron and 8,400 tons of sulphur), quicksilver ores (8,700 tons containing 26,000 kg of quicksilver), gold ores (35,600 tons containing 135.2 kg of gold), antimony ore (24,100 tons containing 2,400 tons of antimony and 159.8 kg of gold), uranium ores (176,900 kg) and zinc ore (1,800 tons containing 906 tons of zinc).

In the same year there was also raised 1,900 tons of graphite, about 175,000 tons of salt, 19,900 tons of crude oil, 1.4 million cubic metres of methane gas.

According to area, the greatest proportion of the output of pit-coal comes from the Ostrava-Karvinná coalfield (about  $\frac{3}{4}$  of the total output) further the Kladno-Rakovník and Plzeň-Radnická coalfields are of considerable importance; in the case of the output of lignite the most important are the North Bohemian coalfield (over  $\frac{3}{4}$  of the total output) and the Falknov-Loket coal mines (over  $\frac{1}{6}$ ). The output of iron ore, manganese ore, antimony, copper, iron pyrites and naphtha is chiefly concentrated in Slovakia, the output of salt in Carpathian Ruthenia.



A survey of the mining industry is provided by the following data of production for the year 1935:

Pit coal coke . . . . .	1,551.152 t	Bluestone . . . . .	263 t
Pig iron . . . . .	810.938 t	Quicksilver . . . . .	68.937 kg
Crude steel . . . . .	1,178.485 t	Fine gold . . . . .	515.5 kg
Malleable iron . . . . .	7.835 t	Pure silver . . . . .	41.359 kg
Tempered cast iron . . . . .	9.883 t	Antimony regulus . . . . .	1.549 t
Soft lead . . . . .	5.986 t	„ preparations . . . . .	13.059 kg
Raw zinc . . . . .	7.345 t	Radium salts . . . . .	9.761 mg
Black copper . . . . .	561 t	with a . . . . .	
Cement copper . . . . .	1.890 t	radium content of . . . . .	2.920 mg
Refined copper . . . . .	380 t		

The distribution of the smelting industry is closely connected with the centres of ore deposits and the coalfields.

The economic development of the mining and smelting industries gives proof of a steady recovery of activities, especially in the smelting branch.

## 2. METAL AND MACHINERY INDUSTRY.

The metal and machinery industry is closely connected with the mining and smelting industry.

At the census of industrial concerns in the year 1930 the following number of employed persons were returned: 142,225 persons were employed in the production of iron, metals and metal goods (of this number 43,000 persons in the production of iron and steel, 23,000 persons in iron and steel foundries, the remainder in other branches of the industry such as the production and smelting of metals, the production of small metal goods, iron and metal furniture, fitters goods, wire goods, tools, agricultural and cutlery goods, iron stoves, cooking utensils, enamel goods and installation fittings).

In the manufacture of machinery, apparatus and means of transport 97,406 persons were employed (of these 51,000 in the general machinery branch, 11,000 in motor-car and motor-cycle factories, the remainder being employed in the production of textile, agricultural and turning machinery and apparatus, machine parts, waggons and carriages, bicycles, and other means of transport).

The electrotechnical and fine mechanics branch employs 26,820 persons (mainly in factories for the production of electric machines

and transformers, in electro-technical factories, and also in the production of accumulators, plates, batteries, bulbs, cables, telephone and telegraph apparatus, wireless sets and other fine mechanical apparatus.

The distribution of metal and machinery industrial concerns reflects both the marked specialisation of the undertakings and their very wide distribution, especially over the whole of the territories of Bohemia and Moravia-Silesia. Locally these concerns have been concentrated partly according to the basic raw materials and partly according to areas of consumption. In this respect the textile and provisions industries especially show a power of attraction for the corresponding branches of the machinery industry.

In the metal trade, 2095 cottage industry concerns were registered, the greatest proportion of which are in Bohemia. These are mainly represented by imitation-jewellery making in the Jablonec district, tack and nail making in the Podbrdy district, the production of buttons and cutlery in the Šluknov region, and the production of spades and pickaxes in the Košice district.

Typical districts for the musical instrument industry are the most western parts of the Ore mountains and the adjoining areas (Kraslice and Schönbach). The production of keyboard instruments is concentrated chiefly in Hradec Králové, Liberec, Georgswalde and Krnov.

For extent of turnover the metal and machine industry occupies second place in the foreign trade of the Czechoslovak Republic, coming after the textile and outfitting industries. The total imports in the year 1935 attained a value of 1039 million Kč (about 15% of the total imports of 1935), the total exports about 1651 million Kč (about 22%). The greatest share is taken both absolutely and proportionately by the iron industry and the output of iron goods.

Employment in the metal industry has improved since the year 1933 by virtue of the better home sales, and rising exports. Practically all the branches of the metal industry manufacture to a greater or less extent also for export, and there are branches which are to a considerable extent dependent on export (tubes, wire, enamel-ware, small metal articles, agricultural machinery). In the case of the branches producing the basic semi-manufactures, great importance is attached, not only to direct export but also to the indirect export of the products made from these semi-manufactures.

### 3. THE POTTERY, CERAMICS, GLASS AND STONE INDUSTRIES.

The pottery industry employs about 150,000 persons.

The brickmaking industry is concentrated mainly round large towns. Altogether there are about 550 machine brickworks and over 2000 brickworks employing manual labour. The average annual production is about 2400 million bricks and 300 million tiles.

In the branch of fireproof goods, chamotte ware, silicate or dinas and magnesite goods are chiefly produced. There are about 33 factories for refractory goods in the Republic, distributed in the western half of Bohemia, in the north-west of Moravia-Silesia and in southern and central Slovakia.

In the fine ceramics branch, production is chiefly represented by pottery goods, common and art ceramic goods and stovemakers' wares. The factories are located chiefly in the north-west of Bohemia.

The porcelain industry is concentrated in the Karlovy Vary (Carlsbad) district, near deposits of excellent raw materials — Sedlec china clay. It is a branch working mainly for export trade, comprising 40 factories with about 19,000 workers.

Lime is produced by about 250 lime-kilns employing 4000 workmen. The centres of production are near Praha, Teplice-Sánov, the northern environs of Brno, north-east Moravia and on the Moravian-Slovakian border.

Cement is produced by 15 works, and is chiefly Portland cement. The annual capacity of all the cement works is about 2,000,000 tons.

Plaster of Paris is manufactured by one concern in Slovakia with a daily output of about 30 tons of quick-hardening plaster.

The glass industry produces all kinds of glass and glassware, and at normal times employs about 150,000 workers, 30,000 of this number being glassmakers employed in 120 glassworks, and about 120,000 employed in glass refineries and in the production of Jablonec goods. Window glass is produced chiefly in north-west Bohemia, it is all drawn on Fourcault machines. The production capacity is about 25-27 million m<sup>2</sup> annually. Mirror glass and cast-glass is manufactured to a great extent on casting tables, the cast sheets pass through a cooling oven after which they are mechanically ground and polished. Besides transparent mirror glass, opaque glass for architectural purposes and special safety glass is also manufactured. Cast sheet glass is moulded in rolling machines. Bottle glass is pro-

duced, with a few exceptions, on twelve Owens machines which have a production capacity of 120 million bottles per annum. Hollow glass (with the exception of bottles) is produced by hand and the annealed products are improved by cutting, polishing, engraving, painting, etching and frosting. Especially famous is the Czechoslovak crystal and lead glass: of excellent quality also is the Czech chemical, laboratory and illumination glass. Pressed hollow glass is also manufactured, especially in the form of utility goods. The centres of the refineries of ornamental and artistic hollow glass are Bor by Česká Lípa and Kamenický Šenov with its surroundings. The raw products are supplied by near-by glassworks of which there are 18 in the district. The refining is carried out chiefly by home workers as a cottage industry.

The Jablonec glass industry is mainly a cottage industry. The main articles of production are glass bangles and imitation jewellery (bijouterie). The raw materials are glass bars and rods which are supplied by 16 glassworks.

A special branch is the production of crystal glass, the production and working up of optical glass, prisms, lenses, etc., the production of crystal lamp-shades, inkpots, paperweights, etc., while the glass industry in the Železný Brod district is especially noted for its production of glass figures.

Of the output of the glassworks about 20% of the sheet (window and mirror glass) and hollow glass, and about 10% of the Jablonec goods are absorbed by the home market, while all the remainder is exported.

Glass has always been one of the most pronounced export branches of Czechoslovak production and yields considerable stocks of foreign exchange, since practically all raw materials are of domestic origin. From 1379 million Kč, the value of the exports of glass declined to 580 million Kč in the year 1935 or about 42.1% of the figure for the year 1929. As far as the individual branches of glass production are concerned, the corresponding decline was as follows, in the case of mirror glass by 68.2%, bottles 60.8%, hollow glass 58.6%, Jablonec glass goods 40.9%, and plate glass by 40%. The export of "sundry glass", however, has increased by 2.2%.

The exports of porcelain declined in value in the year 1935 compared with the highest pre-crisis status of the year 1928 by 32.9%, and building ceramics by 34.0%.

The decorative and building stone industry is concentrated chiefly round districts providing the necessary raw materials and in the vicinity of large towns. These materials are chiefly granite and diorite and granite rocks similar in appearance to real granite, as well as porphyry, diorite, diabase, serpentine and partly also andesite and rhyolite. The territory of the Czechoslovak Republic is very rich in a great variety of marble. Sandstone is also economically exploited as well as tufa, Permian sandstone, pit-coal arkose, slate, etc. The places yielding decorative and building stones are distributed through the whole Republic, especially in the southern half of Bohemia, on the Moravian-Silesian border and on the northern frontier of Slovakia (travertine). Precious stones are also found in Czechoslovakia (Bohemian garnets, Slovak real opal) and semi-precious stones, especially agates and jaspers.

On the whole the individual branches of the ceramic, stone and glass industries have shown a steady improvement in employment since the year 1933, though of varying intensity according to the individual branch. In the year 1936 brisk building activities contributed to a considerable extent to the resuscitation of production.

#### 4. THE TEXTILE AND OUTFITTING INDUSTRIES.

In the textile industry as a whole (in mills, small undertakings and cottage industry) 360,000 persons were employed at the end of May 1930 in about 40,000 concerns. Of this number 261,000 persons and 29,700 concerns were accounted for by Bohemia, 14,400 persons and 7,900 concerns by Moravia-Silesia, 14,400 persons and 2,300 concerns by Slovakia, and the remainder by Carpathian Ruthenia.

The textile industry is territorially to great extent localised. It is concentrated chiefly on the north-east and north-west borders of Bohemia and in the north-east districts of Moravia-Silesia. Prague and Brno are special centres of textile production.

Geography determined the distribution of the textile industry in the case of the old cottage textile industry which developed partly according to the proximity of domestic raw materials, flax and wool, and partly according to available water power and a sufficiency of skilled labour in districts otherwise sparsely inhabited. The distribution of the finishing branches of the industry is determined by the basic industries with which the improving industries are connected either in carrying out the preliminary work or the

final finish. The cottage industries of the textile trade follow chiefly the areas of intensive concentrated factory production, though they are also found elsewhere.

A survey of the individual branches of textile production and their importance is given in the following table compiled from data of the census of industrial undertakings in the year 1930.

Branch	Total number of factories	Number of persons employed
Spinning mills, twine and cotton weaving mills	9.055	133.127
Wool weaving mills . . . . .	936	63.042
Silk weaving mills . . . . .	293	23.193
Flax weaving mills . . . . .	2.417	26.779
Hemp weaving mills . . . . .	252	1.461
Jute weaving mills . . . . .	1.827	13.435
Weaving mills for other textile raw materials	11	189
The production of frame knitted (hosiery) knitted goods of		
cotton . . . . .	4.471	25.419
wool . . . . .	2.127	10.832
silk . . . . .	308	3.784
flax . . . . .	—	—
The production of other textile goods . . . .	14.081	29.407
The improving and finishing of textile goods .	2.892	23.894
The production of technical requirements (of textiles), the production of felts, oilcloth and imitation leather . . . . .	837	4.648
Auxiliary branches of the textile industry . .	446	897
Total . . . . .	39.953	360.107

In the outfitting branch 9,058 persons were employed in factories in the production of clothes, the production of lingerie employed 7,258 persons, the production of leather gloves 2,207, artificial flowers 1,515 persons, caps and fezes 11,802, while 5,352 persons were employed in the remaining branches of the clothing industry (the output of furs, the production of ties and other fashion goods), of um-

brellas and sunshades, the dressing and finishing of feathers, in laundries, cleaning and dyeing concerns.

The cottage industries turning out ready-made clothing are concentrated to a great extent in central Moravia and here and there in the larger towns. Cottage industries producing lingerie appear chiefly in south-west Bohemia (in the Klatovy district) and also in the larger towns. The cottage production of leather gloves is concentrated chiefly in the Podbrdy district and in the Ore mountains and the production of artificial flowers in the Šluknov district.

The textile industry is of decided importance for Czechoslovak foreign trade. In the case of imports the greatest proportion consists of textile raw materials in which the industry is not self-sufficient; in the case of exports textile products represent the largest item. For example, in the year 1935 the exports of textile output, including clothing, represented about 27% of the value of the total of Czechoslovakia's exports. The imports of textile products in the same year represented about 6% of the total value of the imports. Compared with the total value of the exports of textile and clothing (1954 million Kč) the corresponding imports represented 405 million Kč, so that with the 1549 million Kč surplus in the value of exports over imports the textile industry could cover both the imports of textile raw materials to a value of 1272 million Kč, and the imports of raw materials for the hatmaking industry to the value of 12 million Kč, and still contribute a sum of 265 million Kč to the total favourable balance of Czechoslovak foreign trade in 1935 (680 million Kč).

The effect of the world crisis was felt (in the case of exports) to the greatest extent by the cotton trade and in the export of linen.

Employment was, on the average, best maintained in the silk industry, owing to the growing popularity, among consumers, of silk materials; in the jute industry, in the knitted goods and hosiery industry, and in the outfitting industry.

## 5. THE LEATHER INDUSTRY.

The manufacture of leather and boots and shoes is to be found in the main towns, and is concentrated especially in the east of Bohemia. It has been ascertained (in 1930) that of the total number of persons employed in the boot and shoe industry 37.5% are in Zlín. The cottage industries of the boot and shoe trade are concentrated mainly in a few districts on the Bohemian-Moravian border.

The total number of persons employed in the different branches of the leather industry is as follows: in the production of leather itself 10,248; in the production of driving belts and technical leather goods 502, in the manufacture of saddlers' and trunkmakers' goods 833, and 724 in the production of other leather goods. The number of persons employed in the production of boots and shoes was 28,399.

The leather industry is one of the branches most effected by the crisis. The exports of leather and boots and shoes in the year 1935 represented only about  $\frac{1}{4}$  of the exports of the year 1929. The corresponding decline in the exports of leather gloves amounted to 47%.

## 6. THE TIMBER INDUSTRY.

The distribution of saw-mills on the territory of the Republic is determined chiefly by the location of the basic raw materials and consumption and the paths of transport. In the typical forest districts of Slovakia and Carpathian Ruthenia, big undertakings working over a wide area are especially effective. Also in the distribution of concerns working up timber the main rôle is played by the location of basic raw materials (for instance in the production of bentwood furniture, impregnation of wood) or by that of consumption (the production of packings for certain industries, or turning goods) or again the transport route (in the working up of cork).

The extent of the timber industry is apparent from the following survey:

C o n c e r n s	Number of persons employed
Large saw-mills . . . . .	34.977
Production of bentwood furniture . . . . .	5.571
Production of household, school and office furniture	25.429
Production of wickerwork furniture . . . . .	63
Production of wooden packing cases . . . . .	5.145
Impregnated wood . . . . .	1.218
Production of veneer and plywood . . . . .	1.360
Production of parquette and frieses . . . . .	1.071
Production of moulds and frames . . . . .	1.210
Production of walking sticks, bookmakers' and textile wooden requisites, wood for turning and carving .	3.427



C o n c e r n s	Number of persons employed
Other timber working industries . . . . .	10.048
Production of baskets and wickerwork goods, rush- mats, etc. . . . .	857
Production of cork goods . . . . .	1.069
Large timber concerns . . . . .	91.445
Small saw-mills . . . . .	2.655

A total of 3,335 cottage concerns were ascertained in the timber trade, these being in the branches of basketmaking, wickerwork goods, the production of rush goods, turning and woodcarving and rush, straw and wickerwork furniture.

The export of timber and wooden goods declined in the year 1935 compared with the year 1929 to about one-third. The greatest loss in export trade was suffered by the bentwood furniture industry. Otherwise the timber industry as a whole is more dependent on the home market and has participated in the economic recovery, registered since the year 1934.

## 7. THE CHEMICAL, PAPER AND PRINTING INDUSTRIES.

The territorial distribution of the chemical industry in the Republic is determined by the location of driving power or raw materials (mainly timber in the wood-distilling and the match industries) or by the location of consumption (large towns, and the industrial centres of consumption, mainly textile and glass-making). The Elbe transport route is also an important factor especially for the transport of raw materials and the market of finished goods. These industries as consumers of coal and electricity are also to a great extent concentrated in the vicinity of the coalfields.

Important centres of the chemical industry are the Ústí-Podmokly-Děčín district, and some of the larger towns, especially the capitals of the individual Provinces of the Republic.

The extent of the chemical industry is apparent from the following survey:

Undertakings	Number of persons employed
Heavy chemical industry . . . . .	13.764
Wood-distillation and extraction, the destilling and working up of tar, asphalt, resin and the production of roofing felt . . . . .	4.372
Mineral oil refineries . . . . .	1.876
The production of paints, lacquer, varnish, leather dressing and polishes, pencils, inks and gum . . . . .	6.053
The production and working up of vegetable and animal fats, and the production of cosmetics . . . . .	6.046
The production of chemical-pharmaceutical wares . . . . .	1.857
The production of artificial chemical substances and artificial grinding and polishing materials . . . . .	1.579 641
Other chemical output . . . . .	
Largish chemical concerns (employing at least 5 persons)	36.188
Small chemical concerns . . . . .	1.391

In the case of the larger concerns, 3709 persons were employed in the rubber and asbestos industry. Production is to a large extent combined with other allied products.

Chemicals of all kinds represent one of the main items of the commodities imported into the Czechoslovak Republic; with the improvement in manufacturing activities since the depression in the year 1933 these imports have increased. The exports of all kinds of chemical products also represent a most important item of Czechoslovak export trade, and since the year 1933 are on the increase. Compared with the year 1930, the value of the imports of all kinds of chemical goods was 63.6%, and the value of the exports 51.1%. Employment in the chemical industry is steadily improving.

In the paper industry 1209 persons were employed in the production of wood-pulp, 4940 persons in the production of cellulose, 2830 persons in the production of cardboard, 10,745 persons in the production of paper, while the larger concerns for the improving of paper employed 15,022 persons, a total of 35,320.

The geographical distribution of paper concerns tends mainly to districts providing raw materials and areas with driving power.

Undertakings for the refining and working of paper are distributed more according to requirements, especially in industrial areas and in large towns. Slovakia is particularly strongly represented in this connection.

In the case of the printing and lithographic industry about 47% of the total industry is concentrated in the large towns. As regards the number of persons employed, 226 persons were engaged in type-founding, 773 in zincographic and galvanographic undertakings, 21,334 in printing shops, 3,469 in other branches of the printing industry, and 3,600 in photographic concerns — a total of 29,362 persons.

In the year 1934 there was produced a total of 574,922 q of wood-pulp, 454,927 q of cardboard of all kinds, including 67,876 q of roofing, further 2,236,478 q of sulphate cellulose, 79,067 q of nitrate cellulose and 1,914,655 q of paper, including 326,602 q of newsprint paper, 676,773 of printing and lithographic paper, 846,162 q of wrapping paper, 64,498 q of special papers and 620 q of celophane. The total sale of cardboard in the year 1934 represented 63.8 million Kč, woodpulp 34.1 million Kč, cellulose 251.4 million Kč and paper 512.6 million Kč, of which total newsprint paper represent 70.8 million Kč, lithographic and printing paper 207.9 million Kč, wrapping paper 179.7 million Kč, special papers 52.7 million Kč and celophane 1.5 million Kč. Of the total value of cellulose produced (251.4 million Kč) a value of 117 million Kč was exported, and of the total value (576.4 million Kč) of the cardboard and paper sold, 80.6 million Kč fell to exports.

The total employment in the paper industry is now favourable.

## 8. ELECTRIC POWER STATIONS AND GAS WORKS.

In the year 1928 there were a total of 318 independent and 7622 factory electric power stations on Czechoslovak territory, with a power of 1699 kVA and production of 2748 million kWh of current. Large factory power stations numbered 941. Independent stations with a power of over 10,000 kVA numbered 12, with a total power of 339,000 kVA, and 16 factory stations with 360,000 kVA. The independent power stations of this size were all thermal with steam drive, of the other power stations one employed water power and one gas. Of the total power of the factory power stations the greatest portion was concentrated in mining (28.3%), metal industry (22.0%),

and the textile industry (18%). As far as drive is concerned 87.2% of the total power fell to steam drive, 8.4% to water drive, 2% to internal combustion oil engines and 2.4% to gas combustion engines. Water power is mostly employed in the flour-mill and paper industries. Of the total output of the power stations as a whole 57% was concentrated in the coalmining districts. Post-War development shows a steady increase in the output of both independent and factory power stations. There is also a proportionate increase in the electrification of parishes.

In the year 1933 there was a total of 85 gasworks; the production and consumption of gas is steadily increasing; in the year 1933 the production of gas was 121.7 million m<sup>3</sup>.

## 9. THE AGRICULTURAL INDUSTRIES.

The finishing or working-up of agricultural products into a form more suitable for consumption is carried out as a rule in special industrial branches, known as the agricultural industries, which are directly connected with agriculture and are a continuation or a refining branch for agricultural products. The Czechoslovak agricultural industry enjoys a world-wide reputation, especially the sugar and beer-brewing industries.

The situation in the sugar industry must be judged from a world-wide point of view since the marketing crisis in this industry is of international origin. Owing to the exaggerated capacity of the world's sugar industry it became necessary to regulate sugar production by an international agreement to which Czechoslovakia also adhered, whose production of sugar was formerly exported to the extent of two-thirds. Commencing with the campaign of 1926-27, Czechoslovakia gradually reduced her sugar-beet area and her production of sugar, so that in the year 1933 the sugar-beet area was only 145,030 hectares and the production 519,030 tons of raw sugar. During the campaign of 1935-36 only 119 sugar factories were in operation, compared with 163 during the campaign of 1926-27. In connection with the regulation of the production of cereals, a gradual increase in the areas under sugar-beet and a recovery in the production of sugar may be expected in future campaigns.

The production of beer in Czechoslovakia attained its highest Post-War level in the year 1929. Commencing with the year 1930, however, a severe decline in the output of beer set in, and by 1935

production was a whole third less than in 1929. The concentration in the production of beer continues, and the number of breweries in operation has declined to 403. The decline in the production of beer means also a decline in the consumption of raw materials for brewing, mainly barley (malt) and hops. The export of beer declined to one-fourth (from 271,620 hectolitres in the year 1929 to 73,498 hl in 1935) and has improved only very slightly of late.

The production of malt increased parallel with the output of beer up to the year 1929. However, the steady decline in the output of beer and the sharp fall in the exports of malt resulted during the succeeding periods in a steady decline of production in the malt industry, and a fall in the number of malthouses in operation. This decline is connected to a great extent, however, with the decline in the number of breweries in operation, since the majority of Czechoslovak malthouses are connected with breweries. In the case of exports, the malt trade suffered the greatest losses on the European markets, and a partial remedy is being found in new markets overseas.

The number of distilleries (926 concerns) has undergone no great change of late years, although the production of alcohol has increased, and already exceeds 1,000,000 hectolitres, showing the effect of the law concerning the compulsory mixing of alcohol with benzine. The sale of alcohol of all kinds has only recently slightly improved. The increase in the production of alcohol manifests itself also in an increase in the consumption of the main raw materials, both in the case of agricultural distilleries (recently also in the large quantities of sugarbeet) and in industrial distilleries (of late also raw sugar).

The production of potato starch (82 factories) and cereal starch (9 factories) is to a great extent connected with the production and marketing conditions in the textile industry and declines with their deterioration. In the case of potato starch factories, however, the extent of the potato crop has also an influence on the volume of production, so that unsold stocks of this product are greatly increasing.

Of the other agricultural industries there are in operation, according to the latest returns, 9,183 flour mills with a capacity of about 6,500,000 tons of grain, 793 dairies which deal with 5,700,000 hectolitres of milk a year, 64 drying-houses for chicory and beetroot, 31 factories for starch sugar and malt sugar, 9 dextrin-works and 344 distilleries for the production of spirits from fruit, and other smaller branches.

## 10. THE PROVISIONS INDUSTRIES.

According to the census of undertakings of the year 1930, a total of 238,119 persons are employed in the provisions industries. Besides agricultural industries (flour mills, sugar factories, distilleries, starch factories, breweries and malthouses) which have been dealt with above, the provisions industry includes especially the production of bread and confectionary, paste, the meat and sausage branches, the production of chocolate and sweets (employing 9,656 persons), smoked meat and conserves (employing 5,870 persons), dairies and the manufacture of dairy products, the manufacture of soda water and lemonades, fruit juice and wine and spirituous liquors, as well as the production of chicory and coffee substitutes, edible fats, the output of the tobacco factories (employing 13,267 persons), etc.

# *Foreign Trade*

By Dr. IVAN JEŽ, C.E.

The pronounced export character of the State has outstanding importance in the sphere of Czechoslovakia's national economy. Under the old Austro-Hungarian Empire, the territories which to-day form part and parcel of the Czechoslovak Republic represented practically three-quarters of Austrian industry, while at the same time a considerable portion of the industries of former Hungary were concentrated in Slovakia, though these territories in respect of the number of consumers represent only about one-fourth of the population of the dismembered Empire. When Czechoslovakia became an independent State, foreign trade took on still greater importance for the products of these territories, since a large portion of the former internal market of Austria-Hungary became, after the War, a foreign customs area. To utilise the productive capacity of the territories in question to the full demands as extensive a participation as possible in the international exchange of commodities. According to figures issued by the League of Nations, Czechoslovakia in 1935 participated in world exports to the extent of 182.9 million gold dollars out of a total (excluding Italy) of 11,263 million gold dollars, or 1.6% of the world's exports; and in the case of world imports to the extent of 165.7 million gold dollars out of a total (excluding Italy) of 11,805 millions, or 1.4%.

In the Czechoslovak balance of payments visible trade is the most important item, a surplus of exports over imports being essential to offset various adverse items in the balance of payments. The net balance of commodity trade in 1936 was 111 million Kč, the imports totalling 7,903 million Kč, and the exports 8,014 millions, whereas in the flourishing period of trade the net favourable balance had been as much as 2,500 million Kč.

Foreign trade has, in principle, a more important position in the economy of Czechoslovakia than in that of many other countries. Czechoslovak exports now represent roughly one-fifth of the value of the entire national production, and during the boom period the proportion was as much as one-third. On the import side Czechoslovakia is dependent to a great extent on the purchase of raw materials from abroad (mainly wool and cotton for the textile industry, raw materials for the iron trade, mineral oils, etc.). The importance of imports and exports is particularly obvious from an analysis of

Czechoslovak foreign trade according to the groups of the Brussels nomenclature. In the case of exports the biggest production is accounted for by the finished goods group, the value of these exports in 1936 representing 72.8% of the total Czechoslovak export rate, and in the case of imports is represented by the raw materials group which accounted for 54.4% of the total imports.

Czechoslovak Foreign Trade in 1924—1936  
(Net commodity trade in thousands Kč):

Year	Imports	Exports	Balance
1924 . . . .	15.854,701	16.980,741	+ 1.126,040
1925 . . . .	17.615,497	18.788,143	+ 1.172,646
1926 . . . .	15.276,601	17.755,025	+ 2.478,424
1927 . . . .	17.960,410	20.133,448	+ 2.173,038
1928 . . . .	19.190,718	21.205,057	+ 2.014,339
1929 . . . .	19.962,258	20.496,921	+ 534,663
1930 . . . .	15.712,400	17.471,881	+ 1.759,481
1931 . . . .	11.764,187	13.118,574	+ 1.354,387
1932 . . . .	7.486,710	7.342,659	— 144,051
1933 . . . .	5.831,091	5.854,696	+ 23,605
1934 . . . .	6.381,768	7.279,832	+ 898,064
1935 . . . .	6.738,559	7.418,214	+ 679,655
1936 . . . .	7.902,969	8.014,377	+ 111,408

Main Items of Import in 1936  
(in millions of Kč):

Raw cotton, cotton yarns, and goods . . . . .	871
Wool, woollen yarns, and goods . . . . .	820
Fruit, vegetables and plants . . . . .	476
Base metals and manufactures . . . . .	460
Hides and other animal products . . . . .	440
Iron and iron goods . . . . .	339
Ores and minerals . . . . .	291
Silk, silk goods . . . . .	283
Machinery, apparatus, and parts . . . . .	266
Fats . . . . .	255
Cattle, fat and draught . . . . .	237



Flax, hemp, jute, yarns and goods . . . . .	236
Mineral oils . . . . .	228
Chemicals and by-products . . . . .	223
Coal . . . . .	199
Grain, malt, pulse, flour, rice . . . . .	171
Electrical machinery, apparatus and instruments .	171
Tobacco . . . . .	166
Southern fruits . . . . .	141
Colonial produce . . . . .	128

### Main Items of Export in 1936

(in millions of Kč):

Iron and iron goods . . . . .	1,010
Cotton yarns and fabrics . . . . .	707
Glass and glassware . . . . .	609
Wool, woollen yarns and fabrics . . . . .	539
Coal . . . . .	421
Leather, leather goods, boots and shoes . . . .	460
Timber . . . . .	367
Ready-made clothing, hats, etc. . . . .	353
Silk, silk goods . . . . .	339
Grain, malt, pulse, flour, rice . . . . .	307
Base metals and manufactures . . . . .	291
Fruit, vegetables and plants . . . . .	260
Paper, paper goods . . . . .	255
Machinery, apparatus and machine parts . . .	247
Flax, hemp, jute, yarns and goods . . . . .	230
Porcelain . . . . .	182
Hides and other animal products . . . . .	162
Ores and minerals . . . . .	150
Sugar . . . . .	148
Furniture and other manufactures of wood . .	139
Chemicals and by-products . . . . .	136

As will be seen from the tables, trade in the individual categories shows relatively extensive variety. This circumstance provides, from the angle of export trade, a more satisfactory equilibrium in face of sudden changes in demand in the foreign markets, and enables the export branches to accommodate themselves better as a whole

to prevailing conditions. This manifold character in commodity trade is also to be observed in the territorial distribution of Czechoslovakia's export trade.

### Territorial Distribution of Czechoslovak Export Trade:

Destination	1933		1934		1935	
	in mill. Kč	in %	in mill. Kč	in %	in mill. Kč	in %
Austria . . . . .	721	12.2	769	10.6	754	9.5
Hungary . . . . .	190	3.2	154	2.1	139	1.8
Yugoslavia . . . . .	197	3.3	258	3.5	318	4.0
Rumania . . . . .	221	3.7	271	3.7	383	4.8
Poland . . . . .	157	2.6	139	1.9	258	3.2
Total Successions States . . . . .	25.0		21.8		23.3	
Total Europe . . . . .	4.809	81.2	5.737	78.7	6.298	79.3
Rest of the world . . . . .	1.113	18.8	1.550	21.3	1.648	20.7
Sum total . . . . .	5.922	100	7.287	100	7.946	100

This broad market basis gives Czechoslovak export trade greater stability and security.

In the sphere of international exchange of commodities Czechoslovak foreign trade plays substantially the rôle of an intermediary between West and East; Czechoslovakia imports the necessary raw materials for her production mainly from Western Europe and from overseas, and sells her finished products largely to the former home customs area and to the countries of South-eastern Europe.

### Directions Taken by Czechoslovak Foreign Trade in 1935

(in thousands Kč. According to the Brussels nomenclature.)

#### a) Main Sources of Imports of Raw Materials:

#### Europe

Germany . . . . .	346,167
France . . . . .	212,436
Poland . . . . .	207,421
Great Britain . . . . .	142,853
Rumania . . . . .	131,698
Belgium . . . . .	107,708

Yugoslavia . . . . .	102,257
Sweden . . . . .	94,966
Austria . . . . .	78,877
Soviet Russia . . . . .	77,125
Netherlands . . . . .	54,744
Trieste . . . . .	53,470
Turkey . . . . .	43,531

#### Overseas

U.S.A. . . . .	534,696
India and Malay . . . . .	284,599
Egypt . . . . .	145,292
Argentina . . . . .	128,885
Australia and New Zealand . . . . .	114,214
British Possessions in Africa . . . . .	98,087
Netherland East Indies . . . . .	93,973
Brazil . . . . .	33,292
Uruguay . . . . .	24,741

### b) Main Destinations of Exports of Finished Goods

#### Europe

Great Britain . . . . .	457,910
Austria . . . . .	425,601
Germany . . . . .	412,272
Rumania . . . . .	370,879
Yugoslavia . . . . .	297,701
Netherlands . . . . .	243,579
France . . . . .	215,109
Poland . . . . .	204,830
Switzerland . . . . .	182,318
Sweden . . . . .	175,541
Italy . . . . .	151,445
Soviet Russia . . . . .	98,631
Belgium . . . . .	97,273
Turkey . . . . .	77,421
Norway . . . . .	66,675

Spain . . . . .	62,904
Denmark . . . . .	52,145
Lithuania . . . . .	46,649
Greece . . . . .	45,727

#### O v e r s e a s

U.S.A. . . . .	518,201
Argentina . . . . .	94,708
India . . . . .	85,200
British Possessions in Africa .	85,154
China . . . . .	81,409
Iran and Afghanistan . . .	80,175
Palestine . . . . .	65,302
Egypt . . . . .	49,956
Australia and New Zealand .	40,381
Brazil . . . . .	31,934

In the international markets Czechoslovak exports secure their hold substantially by virtue of their quality. The tendency of world imports in the direction of categories of less-finished goods, and particularly the concentration upon raw materials, is not in keeping with the basic character of Czechoslovak export trade which relies rather upon finished goods of superior quality.

Of course the efforts towards self-sufficiency which are put forward, especially in countries where the system of quotas or clearing arrangements have an influence upon imports, sometimes very considerably alter the character of the mutual exchange of goods, for rawstuffs and semi-manufactures, representing a big proportion of raw material in their make-up, take a prominent place at the cost of the former considerable purchases of finished goods. In this manner Czechoslovak export trade has also been affected in several of the neighbouring markets.

A tendency to increase in the volume of imports and exports, as shown in the above tables, has intensified in the case of Czechoslovakia's foreign trade since the period of grave depression in 1933. On the import side the item of raw materials has in particular shown advance, increasing not only parallel with the growth of population (a wider basis for home consumption) but also constituting at the same time a primary condition for increased exports of finished

goods, and finding a reflex in increased employment. The value of imported raw materials was 18.7% higher in 1934 than in 1933, in 1935 it was 23.1% higher, and in 1936 showed an advance of 48.1%, while the value of the exports of finished goods increased successively by 26.4%, 33%, and 44.4%.

Czechoslovak Foreign Trade  
in groups according to the Brussels Nomenclature  
(in thousands of Kč):

Total Trade	1933	1934	1935	1936
Imports . . . . .	6.124,668	6.391,566	6.743,174	7.909,199
Exports . . . . .	5.922,412	7.287,549	7.946,649	8.086,170
Total volume . . .	12.047,080	13.679,115	14.689,823	15.995,369
Imports:				
Live stock . . . . .	104,563	73,064	164,917	241,887
Foodstuffs and beverages . . . . .	1.117,309	936,309	1.083,622	978,785
Raw materials . . . .	2.908,419	3.442,608	3.592,829	4.308,115
Finished goods . . . .	1.669,600	1.897,104	1.874,356	2.359,685
Precious metals and specie . . . . .	324,777	42,481	27,450	20,727
Exports:				
Live stock . . . . .	1,460	2,328	1,939	1,737
Foodstuffs and beverages . . . . .	454,844	401,061	401,842	496,544
Raw materials . . . .	1.343,080	1.760,216	1.619,467	1.669,530
Finished goods . . . .	4.041,919	5.103,223	5.372,461	5.834,966
Precious metals and specie . . . . .	81,109	20,721	550,940	83,393

The increase in the value of total exports has been due chiefly to the augmentation of sales of finished goods mentioned above, while the export of raw materials for the past two years has been lower than for the year 1934. This is a favourable trend, especially from the point of view of the greater share of actual work in the value of the exported products.

As regards the tendency in respect of territorial distribution, a notable feature is that Czechoslovak export trade has gained more distant markets, as already mentioned above, and that indirect trade

has been reduced to the lowest possible level, as is evidenced by the declining significance of the European seaports in the statistics relating to the origin of merchandise.

Of late, increased efforts have been put forward to build up for Czechoslovak foreign trade a wider economic "hinterland". As is to be seen from the table showing the "Territorial Distribution of Czechoslovak Export Trade", the share of the former (Austro-Hungarian) home customs area which is now incorporated in the other Succession States, still continues to absorb nearly one-fourth of the total export trade of Czechoslovakia (in 1926 it took 35%). The natural geographical market basis finds expression also in the intensification of economic contacts among the Little Entente States. Fresh efforts, linking up with the traditional economic interests, and preparing for future collaboration with the other Danubian States, have already found practical expression in the plan put forward by Dr. Hodža, the Czechoslovak Premier, for closer economic ties among the Little Entente allies and in the Danubian area generally by the institution of a special economic Central Bureau (Centre économique). These tendencies have also received support in the programme advanced by the Little Entente Export Institutes.

The structure of Czechoslovak foreign trade has of late years been affected by the new tendencies in world trade and in the system of payments evoked by the crisis in post-War development. The world credit crisis led to efforts on the part of the main debtor countries to maintain financial equilibrium mainly by means of favourable trade balances.

For export trade general difficulties accumulated in the form of customs interference (increased duties, special tariffs, etc.), import prohibitions, quotas, licenses, monopolies, preferences, and the most varied administrative measures (for example, in the sphere of transport, public health, regulations concerning production, and the like). On the other hand, competition in foreign markets increased sharply as a consequence of artificial support given to certain branches, and many foreign markets built up industries of their own. In these conditions and under the influence of the drop in world prices, the value of the total volume of Czechoslovakia's foreign trade declined in the year of gravest depression (1933) by 71% compared with the year 1929, the value of the exports falling by 71.3% and that of the imports by 70.7%. A very considerable decline was re-

gistered in particular in trade with those countries where imports had to face the difficulties above referred to. Most of all did export to the clearing countries decline. Trade with the group of countries adhering to the former gold bloc did not, it is true, suffer from difficulties in respect of transfers of payment, but it was substantially restricted by import obstacles such as quotas and the like.

### Movements in Czechoslovak Foreign Trade in 1929—1936

(net commodity trade in thousands of Kč):

#### Countries of the Sterling Bloc & U.S.A.

Year	Imports	Exports	Volume	Balance
1929	3,628.547	4,722.545	8,351.092	+ 1,093.998
1933	1,208.455	1,445.542	2,653.997	+ 237.087
1934	1,637.274	1,872.804	3,510.078	+ 235.530
1935	1,750.029	2,122.877	3,872.906	+ 372.848
1936	2,157.017	2,498.425	4,655.442	+ 341.408

#### France, Netherlands, Poland, Switzerland

Year	Imports	Exports	Volume	Balance
1929	2,859.644	2,212.038	5,071.682	— 647.606
1933	900.842	956.488	1,857.330	+ 55.646
1934	1,076.557	1,003.093	2,079.650	— 73.464
1935	1,118.429	1,131.104	2,249.533	+ 12.675
1936	1,341.178	1,161.392	2,502.570	+ 179.786

#### Clearing Countries

(Austria, Hungary, Rumania, Yugoslavia, Bulgaria, Italy, Greece, Turkey)

Year	Imports	Exports	Volume	Balance
1929	4,229.031	7,361.060	11,590.091	+ 3,132.029
1933	1,279.535	1,598.649	2,878.184	+ 319.114
1934	1,194.716	1,910.569	3,105.285	+ 715.853
1935	1,451.441	2,028.819	3,480.260	+ 577.378
1936	1,488.923	2,030.416	3,519.339	+ 541.493

### Germany

Year	Imports	Exports	Volume	Balance
1929	5,003.073	3,973.221	8,976.294	— 1,029.852
1933	1,209.158	1,045.195	2,254.353	— 163.963
1934	1,243.883	1,559.468	2,803.351	+ 315.585
1935	1,164.760	1,173.714	2,338.474	+ 8.954
1936	1,386.423	1,156.076	2,542.499	— 230.347

### Seaports: Trieste, Hamburg, Bremen

Year	Imports	Exports	Volume	Balance
1929	2,896.834	935.677	3,832.511	— 1,961.157
1933	624.751	148.592	773.343	— 476.159
1934	488.604	113.676	602.280	— 374.928
1935	426.202	89.421	515.623	— 336.781
1936	454.058	97.794	551.852	— 356.264

### Other Countries

Year	Imports	Exports	Volume	Balance
1929	1,345.128	1,292.380	2,637.508	— 52.748
1933	608.350	660.230	1,268.580	+ 51.880
1934	740.734	820.222	1,560.956	+ 79.488
1935	827.706	872.279	1,699.985	+ 44.573
1936	1,075.370	1,070.274	2,145.644	— 5.096

The decline in Czechoslovakia's foreign Trade came to an end in 1934, for in that year, after the devaluation of the Czechoslovak currency which was carried through in order to eliminate the disparity between home and foreign values, there set in an obvious turn for the better. Simultaneously, in view of prospects of better collection of debts, there were changes of structural importance in territorial distribution. Exports now tended in the first place towards those countries which placed no obstacles in the way of payments, so that from this angle the expansion in the volume of foreign trade also produced better results in the matter of acquisition of foreign exchange. The share of the countries of the sterling bloc in the total volume of Czechoslovakia's exports in 1936 was 31%, compared with 24% in the year 1933. Trade with the countries of the former gold



bloc also produced better results, facilitated particularly by the well-maintained capacity of Czechoslovak goods to compete in those markets. There was likewise an increase in trade with the group of other countries, comprising the countries that in substance make no difficulties in principle as regards foreign payments. On the other hand, exports to the clearing countries are made more difficult by restriction of the possibilities of making payments. Clearing agreements ensure, it is true, a certain balance of payments conditioned, however, on a bilateral equilibrium of the trade balance, that is, from the angle of collection, an elimination of the favourable balance, or if a favourable balance be maintained it merely causes an increase of frozen assets. This condition of affairs is all the more burdensome as the clearing countries represent traditionally the main markets for Czechoslovak exports. The total sum of Czechoslovak claims in the clearing countries accruing from export was on the 30th of September 1936 upwards of 2,000 million Kč. The difficulties of collection are in conflict with the assumption of a smooth influx of clearing payments, such as the service of commercial intermediary between West and East demands, for Czechoslovakia pays for her imports of raw material in cash in the form of foreign currency, while her exports of finished goods in existing conditions do not produce foreign currency enough to meet her requirements. This situation has produced a tendency to purchase goods first and foremost from those countries that buy Czechoslovak goods. In so far as increased imports come from the clearing countries, particularly as a result of the efforts of the Czechoslovak creditors themselves, they constitute the necessary conditions for an improved liquidation of the country's frozen assets.

Movements in Czechoslovak Foreign Trade  
from the Angle of Payments  
(in 1933—1936).

Net Commodity Exports (in millions Kč):

Year	Total Exports	Exports to Clearing countries	Exports to non-clearing countries
1933	5.850	2.640	3.210
1934	7.280	3.470	3.810
1935	7.420	3.210	4.210
1936	8.010	3.180	4.830

# Net Commodity Imports (in millions Kč)

Year	Total Exports	Exports to Clearing* countries	Exports to non-clearing countries
1933	5.830	2.490	3.340
1934	6.380	2.430	3.950
1935	6.740	2.620	4.120
1936	7.900	2.870	5.030

The special consequences of the world economic crisis compelled Czechoslovakia, too, to introduce exchange control, but the aim was different than that in the majority of countries which had previously taken a similar step. Since Czechoslovakia paid her commercial and financial debts to other countries without any restrictions, her market became abnormally attractive to imports, and there was a danger that a disproportionate offer of goods by other countries would result in abnormal and burdensome demands on the foreign exchange reserves of the Bank of Issue. On this account the validity of the exchange control measures of the year 1924 was restored on the 2nd of October 1931, so that for transfers to foreign countries in excess of a certain free margin a permit is necessary from the National Bank of Czechoslovakia. The control of exchange transactions was later supplemented by the clearing arrangements already referred to and the temporary introduction of the so-called exchange certificate system in pursuance of the law for the protection of the Czechoslovak currency and legal tender.

The outstanding position of export trade in Czechoslovakia's national economy is reflected in the care devoted to it by means of administrative measures for ensuring it a more competitive basis at home, and by building up a network of commercial treaties and conventions touching payments with other countries. Among the internal measures there is in particular the support given in the form of export credits. This has been accomplished partly by the institution of export insurance (special fund for the insurance of export credits), and partly by granting State guarantees for export credits, thus giving the guaranteed amount of the export assets a sounder character and a better chance of mobilisation. The original amount of export credits has also been extended according to requirements.

\*The clearing countries are: Austria, Hungary, Rumania, Yugoslavia, Bulgaria, Italy, Greece, Turkey and Germany.

The Czechoslovak owners of frozen clearing assets have obtained certain relief through the introduction of a system of advances of clearing assets at a low rate of interest, and have also been enabled to settle their clearing claims by way of private compensation arrangements. Administrative measures have also encouraged direct commercial contacts by providing certain facilities in respect of commercial formalities and payments (certificates of origin in cases of import from three South American republics). In the sphere of organisation, great attention has been devoted to those institutions whose purpose it is to give expert attention to export trade; among these are the export sections of the chambers of commerce and industry, the commercial-policy section of the Federation of Czechoslovak Industries, foreign chambers of commerce, trade fair services, and the export offices of the various trade societies. This organisation has been supplemented by the inauguration of an Export Institute which, during the brief period it has been in operation, has succeeded in securing several new markets. Externally it devotes care to the improvement of commercial relations and system of payments with abroad, extension of consular and other representative offices abroad, and the establishment of direct financial connections with all foreign countries.

# *Czechoslovak Banking*

By Dr. ALOIS KRÁL, C.E.

## THE STRUCTURE OF CZECHOSLOVAK BANKING.

The present state of banking in Czechoslovakia is the outcome of a complicated development, the trend of which in Bohemia and Moravia-Silesia has been different from the trend in Slovakia and Carpathian Ruthenia. The Czechoslovak banking institutions are substantially a part of the heritage left by old Austria-Hungary, and the juridical and economic differences between the western and the eastern halves of what is now Czechoslovak territory have had a definite and determining influence upon the structure and development of banking conditions there. In the Austrian portion of the old Empire economic and financial centralisation was in the hands of Vienna, and the institutions existing in Bohemia and Moravia were either branches of the Vienna banks, or, though established on Bohemian or Moravian soil, their policy was influenced by economic developments not merely in their own particular provinces but in the entire Cisleithanian area generally. At the same time Bohemia in particular had plenty of banking experience. Private banking concerns, although of small extent, had existed since the eighteenth century, and the structure of the industries that were in touch with foreign and oversea markets forced the banking houses to enter into extensive transactions well beyond the local scope of things. On the territory that was part of former Hungary the development of banking was quite different, for the agricultural character of the country and absence of an export industry limited the activities of the banking institutions to local credit transactions. The Hungarian laws also favoured the establishment of small banking institutions, so that even insignificant concerns received the title of bank, while the cooperative system gave rise to a spread of small units that lacked much of the supervision exercised in the Austrian portions of the Empire.

The restoration of Czechoslovak independence thus took place at a time when there were, on the one hand, smallish independent banks and special Provincial institutions within the State territory, on the other hand, branches of the great Vienna and Budapest banks, and finally a system of the so-called popular banking institutions.

Since the establishment of the Republic this banking system has undergone an interesting evolution, which has substantially changed its aspect. The early years after the War produced a considerable expansion of business even in banking, and in this connection new banking enterprises came into existence. At the same time the branches of the Vienna and Budapest institutions were converted into independent Czechoslovak banks. The crisis which set in after 1922 caused the collapse of several banks, threw the smaller concerns into difficulties, and checked the expansion of small and medium banking concerns. After the year 1924 a gradual consolidation of conditions set in, and some fusions of medium and small banks were carried through, but the difference became increasingly manifest between the institutions that had developed into big banks with extensive industrial interests and economic influence, and the institutions which merely held their ground without much hope of further pronounced expansion.

Alongside the commercial banks there developed the status and business of the Provincial banking institutions, and popular banking at the same time underwent a change, often extending its operations beyond the narrow limits prescribed for it by its founders and increasing its influence upon and participation in the business of the money market and in the sphere of loans to private enterprise of all kinds. In addition to this, insurance institutions of both private and public character were taking up a new position, while a Postal Cheque Department was built up that was later converted into a Post Office Savings Bank. In the recent years of financial crisis the Czechoslovak Rediscount and Lombard Institute was set up, thus completing the structure of the Czechoslovak money market.

After these years of evolution the structure of Czechoslovak banking is characterised by certain typical features which foreign banking systems either do not possess at all or which they possess to a much less extent.

The basis of our banking, apart from the Bank of Issue, is formed by commercial banks of the well-known Central European type. They are not purely deposit institutions, nor banks for company and other promotion, but are a cross between the two categories. Alongside them, the Czechoslovak banking system presents certain special categories of institutions:

1. banks of public character, not operating for profit, and having special functions in the sphere of long-term credit;

2. the Rediscount Institute and the Post Office Savings Bank;
3. popular banks, that is, savings banks, deposit and loan societies, district agricultural credit banks, the "kampeličky" (Raiffeisen) societies, and their federations;
4. public insurance institutions operating side by side with the private insurance societies such as exist elsewhere.

Among the factors of the money market there must also, of course, be included the private banking houses, which on the whole do not occupy such an outstanding place as they have secured in several other countries. To complete the picture it is necessary to make mention also of the pawnbroking and pledge concerns, some of them State institutions, some of them private, and one of which has an exceptional position in that it enjoys the right of receiving deposits. Special functions are allotted to the Orphans' Trustee Funds, while finally the Provincial Credit Funds are a component part of the system of popular banking. These groups of banking and credit concerns, however, are without any outstanding influence upon money market conditions.

#### THE COMMERCIAL BANKS.

The legal basis for the existence and operations of the Czechoslovak commercial banks is provided by the old Austro-Hungarian law, supplemented by the so-called banking laws of the years 1924 and 1932. For the establishment of a bank the consent of the Government is essential (concession system), and Act of Parliament No. 44 in the Collection of Laws and Decrees of 1933 prohibits the establishment of any more banking institutions.

The activities of the commercial banks are subject to supervision by the Ministry of Finance which appoints a special commissioner for each bank. As regards accounts and balance-sheets the banks are subject to control by the "Accountancy and Audit Association of Czechoslovak Banks" which sees to the observance of the rules and principles laid down by law for the compilation of balance-sheets. The public is kept informed of the affairs of the banks through the compulsory issue of quarterly balance-sheets, while further details have to be supplied to the organs of supervision. The business that banks can transact is defined by law, and the responsibility and the security to be offered by bank officials have been substantially increased since the year 1932.

In principle the activity of the commercial banks is of two kinds. In the first place, the Czechoslovak banks are places of deposit, receiving not only deposits directly but also acting as centres where the popular banking institutions deposit their liquid funds either direct or through the medium of their own federations. In their function as deposit banks they conduct ordinary credit business of short-term character, take part in the discount and rediscount of bills and other securities on the money market, assist in the State's credit operations in so far as they are members of the consortium specially established for this purpose, and take a brisk part in stock exchange business both on behalf of their clients and on own account. The joint-stock banks have in their hands not quite 40% of all deposits in the books of the banking institutions generally.

Their second fundamental function is one that in other banking systems pertains to the sphere of the so-called financing or promotion banks. The Czechoslovak banks from the very outset of their existence took a very intensive part in the establishment and building up of industry, and as agriculture is a substantial element in Czechoslovakia's economic system, the first participation of the banks in industry was limited to the agricultural industries. The evolution of the Czechoslovak banks is connected with the history of the sugar, distilling and brewery industries; it was only later that the banks took part in the development of the machinery branch, the iron industry generally, the building materials industries, and more recently papermaking and chemicals. The banks took over the function of industrial centres, and from advancing credit went on to direct participation in industry, which, as the joint-stock system came into favour, took the form of shareholdings in the capital. Practically every one of the more important banks has its industrial concerns which are subject to its own influence. The Czechoslovak banks have thus a special feature in their industrial financing policy in that they cannot count on easily unloading their holdings of shares on to the investing public. In many cases a sale of the shares would not be easy, and in many other cases the banks would again deprive themselves of a decisive influence upon the management of a concern that is of special importance for their own business.

The relationship of the banks to industry cannot be characterised merely in the sense that industry is dependent upon the banks. The banking institutions frequently devote great care to the concerns in which they are financially interested, and in individual cases re-

present the axis of industrial policy round which revolve the efforts—appropriate to each case and reacting to the benefit of the country's economy as a whole—towards better utilisation of natural resources and increased employment of labour and the entire apparatus of production. Many branches of industry were introduced on the initiative and with the aid of the banks, and orientation in internal production and in work for the foreign markets has been greatly facilitated for them by the cooperation of the banks.

In addition to taking up the functions of deposit banks as well as of company-promoting and financing banks, the Czechoslovak institutions had also to take over the duties of acting as intermediaries in respect of payments to other countries and in the financing of foreign trade. In this connection they thus approach to the activities of the so-called foreign-trade banks which in some countries exist in independent form. The network of foreign branches of the Czechoslovak banks is unfortunately small, for, looked at from an historical angle, it was built up only in the countries of Central and South-east Europe, and only a single branch represents Czechoslovak banking in the London world market. Czechoslovak banks and economic circles in their contacts with abroad must therefore employ to a considerable extent the services of foreign institutions—a circumstance which is not always advantageous to the competitive capacity of the country's export production. The financing of foreign trade has, since the onset of the financial crisis in 1931, been the work of the banking institutions to the extent of 100%, whereas formerly short-term foreign credit was largely availed of. Only recently has a more intensive use of reimbursement been reverted to in a number of import branches.

The foreign exchange accruing to exporters from export trade was taken over by the banks, and made use of by them according to the conditions of interest prevailing at the moment. In the crisis years this situation underwent substantial change, for the bulk of export, going to countries where exchange restrictions are in force, is paid for through clearing accounts, so that the participation of the commercial banks is limited sometimes to the function of receiving offices, sometimes to that of intermediaries in compensation payments. These activities do not allow of any extensive utilisation of banking capital, and it is only in moderate measure that the banks grant credit to exporters whose foreign customers have already made



their payments into clearing. In this connection the Bank of Issue has endeavoured to contribute to securing cheap credit on the basis of assets in the clearing countries, and has instituted a system of advances on clearing claims at the Zemská Bank on a lower scale of interest than that charged by private banks. The position of the banks as creditors vis-à-vis foreign countries has, however, been adversely affected by the financial crisis. Not only have the cash funds in full-value exchange on deposit in foreign banks substantially declined parallel with the development of export trade and with the general exchange situation, but also the stocks of bills and assets abroad formerly maintained for reasons of lucrative interest-arbitrage have been reduced both by changes in the rates of interest and by the uncertainty as to currency development in the debtor countries. Assets and claims of financial character arising either directly or indirectly from commodity export trade have remained limited to the clearing countries where the currency difficulties have caused them to be blocked. In this way the mobility of capital placed abroad has been seriously affected, indeed it is necessary to anticipate that it will be liquidated only with losses.

Payments made to other countries in respect of obligations there reduced, from the year 1931, the amount of the foreign indebtedness of the banks; within the scope of the less favourable surplus in the balance of payments, numbers of holdings of shares in Czechoslovak concerns were repatriated in favour of the banks, but these transactions were not on any large scale and were carried out with countries with which a special adjustment of payments was made.

The industrial interests of the banks lead them to come forward as an active factor in commodity trade. Although the banking laws no longer allow the banks actually to trade in merchandise themselves, the existing apparatus of the banks for this purpose was converted into legally independent concerns which cooperate with the management of the banks financing them, and trade in the output of the undertaking falling within the sphere of interest of the banks. This applies especially to sugar and coal.

The main branch of activity of the commercial banks continues to be credit business, which takes various forms. According to balance-sheet figures, the item of debtors in the case of the 23 joint-stock banks in the year 1935, represented over 55% of the total assets of the banks; mortgage loans represented 0.2%, advances on securities and the like not quite 6%, while the remainder of the credits,

that is, mostly current account advances, represented 49.3%. Discount credits at the same time were merely 9.2%, foreign assets 0.1%, and issued loans 2.1%. This last-named low figure shows how little in vogue loans on industrial bonds are, thus providing another explanation of the pronounced influence, already mentioned, of the banks on industrial production. Despite the fact that it was the endeavour of Czech banking circles before the War to encourage this type of industrial credit, that the big banks enjoyed the right of issuing industrial debentures, and that the Bohemian Industrial Bank was even established for the very purpose of fostering industrial bond credit, this type of business was never popular in the money market, and the activities of the banks in this connection fell very much short of those in the countries of the West. It is probable that if the system of financing industry by means of debentures had been widespread in Czechoslovakia, the country would have been spared the trying credit conditions that existed in the first few years of the financial crisis. The deflation crisis of the years 1931 to 1934 would not have been so severely felt by the industries if they had not been, in respect of credits, dependent upon the banks, and if they had been able rather to rely upon credit in the form of industrial debenture not subject to notice of redemption.

The group of discount credits includes also loans on grain warrants introduced in the year 1933. As the commercial bill has for a number of years past been a rare instrument of credit, the bill portfolio of a number of banks is composed for the most part of agricultural securities, both bills and grain warrants. The current account obligations of the bank debtors are also legally based on bills of cover character to which the title of commercial bills does not apply; they appear in the balance-sheets, too, under the item of sundry debtors.

The banks take but a very small part in long-term credit transactions, leaving this sector of business largely to the savings banks and loan societies as well as to the Provincial credit institutions, especially the Mortgage Bank. At the end of 1935 the 6 Provincial institutes had 52% of their funds invested in long-term loans, including 46% in issues for which bonds were issued, and 6% as mortgage loans other than of issue character. Of the total amount of 6,500 million Kč in circulation in the form of bonds of the banking institutions, 5,600 millions were issued by the Provincial institutes, 360 millions by the savings banks, and only 517 millions by the joint-stock banks. These figures are exclusive of the banks in Slovakia.

Alongside the commercial banks Czechoslovakia possesses several very well developed special groups, namely, A. institutions issuing longterm loans, B. the excellently organised, so-called people's banking institutions, and finally, C. the institutions *sui generis* such as the Czechoslovak Rediscount and Lombard Institute, and the Post Office Savings Bank. Another independent factor is constituted by insurance institutions.

Among these banking groups, the institutes for the issue of long-term loans occupy a special position. They arose in the last century through the call for credit on the part of landowners, are based on foreign models, but were organised and function on independent principles which are rightly regarded as models of the principles on which long-term credit issues should be based. They rest on the recognition that the private creditor will, as a rule, demand a higher rate of interest for long-term credit than he would for a more liquid investment, and that for the purpose of long-term credit preference is to be given to a creditor who has no interest in profit-making or to a creditor who can, according to need, mobilise his assets. From these experiences issues the demand that the long-term creditor shall have a semi-public or wholly public character, or at least a corporative or cooperative character, and, further, that the creditor's assets may be mobilised by aid of mortgage debentures.

For the requirements of owners of real property there was established in Bohemia, Moravia and Silesia in the year 1864 the Mortgage Bank of the Kingdom of Bohemia with head offices in Praha, in 1869 the Silesian Land Credit Institute at Opava, and in 1876 the Mortgage Bank of the Margravate of Moravia at Brno. These institutes have a special juridical character approaching that of foundations of funds, and were at first without means of their own, except the dotations they received from the particular Provinces in which they operate. Their chief characteristics are that they are not profit-making concerns, that public organs have an influence upon their management, that their sphere of operations is limited in principle to the granting of credit on real property issued in the form of debentures, that these debentures are publicly guaranteed, and enjoy several other privileges. These institutes do not transact ordinary banking business. They differ very considerably from the joint-stock mortgage banks that frequently exist abroad and that

are, it is true, special banks too, but preserve the character of profit-making concerns.

To meet the credit needs of the local government bodies, the railway companies and other large debtors whose workings are a matter of public interest, a very similar category of bank operating on much the same principles was established. In 1880 the Zemská (Land) Bank of the Kingdom of Bohemia was founded at Praha, and in 1897 the Agricultural Bank of the Margravate of Moravia at Brno, and the Silesian Communal Credit Institute at Opava. These institutes were intended to grant credits for communal purposes, land improvement, railway construction, and more recently electrification, etc.

Soon after the establishment of the new State at the close of the War these institutes were faced with a number of new tasks which compelled them to extend their activities beyond the scope originally outlined. In the course of the years it was also recognized that the line of policy which had resulted in the establishment of such institutions ought to be continued: it is the principle of a loan issuing institute that the individual mortgage, the individual commune, railway, and the like shall be represented by the whole body of debtors in the form of the bank, and that the individual creditor shall be represented by the bondholder, that the place of an individual guarantee shall be taken by the sum total of all the property in lien to the bank, and that to this guarantee shall also be added that of the Province. It is in pursuance of this line of policy that efforts are made that the place of an individual institute of issue shall be taken by a central institute of issue for the whole State. In the meantime, in harmony with these endeavours, the institutes in Moravia and Silesia were amalgamated, so that in 1922 the place of the then existing four institutes in Moravia and Silesia was taken by the Mortgage and Agricultural Bank of Moravia and the Silesian Land and Communal Credit Institute. The project of a single joint central institute of issue awaits realisation.

For Slovakia and Carpathian Ruthenia branches of the Praha Mortgage Bank and Zemská Bank were established in 1922 at Bratislava, and a branch of the Mortgage Bank at Košice. Prior to that there had not existed in Slovakia a similar institute for the issue of credits of this type.

In addition to the special bond-issuing banks, the special issue institutes of some of the big savings banks and, by way of exception,

some of the commercial banks, have occupied themselves to a less extent in issuing mortgage bonds.

Among the Provincial institutes of issue a wholly special position has been secured by the Zemská Bank, formerly Zemská Bank of the Kingdom of Bohemia. This institute has always enjoyed the absolute confidence of the public and its bonds are in particular favour. As it does not compete with the commercial banks, many banking institutions, especially the people's banks, deposit their cash surpluses on current account at the Zemská Bank, and in case of need apply to the Bank with a request for rediscount credit. The Bank has thus developed to a certain extent into a rediscount institution, and has become an important factor of the money market. It has also been given the right to accept deposits and to carry out banking business on a broad basis, and as it has a non-profitmaking character and possesses the confidence of the public, it has been entrusted not only with public monies (Court deposits, Orphan Trustee funds, etc.) but also with functions of a public character. Thus this institution has taken part in the credit operations of the State, has been entrusted with the functions of a Clearing House established for the liquidation of claims in old Kronen in Austria, on the resumption of exchange control was the first institution to be entrusted with keeping clearing accounts, and was, as already stated, used as lombard institution in the granting of cheap credit on assets in the clearing countries. At the close of 1935 the Zemská Bank had deposits and other funds entrusted to it totalling 4,500 million Kč, that is, about 80% of the total amount entrusted to the Provincial institutes altogether (not quite 6,000 millions). Of the amount in the hands of the bank, over 3,000 millions are on current account and are thus for the most part deposits made by banking institutions.

### POPULAR BANKING INSTITUTIONS.

Another important sector of Czechoslovak banking is represented by those institutions whose purpose it is to attract small savings, and to employ them in the first place in advancing small local loans. This group is known as that of the popular or people's banks. It includes the savings banks, the middle-class and traders loan and credit societies, the district agricultural credit societies and finally the village credit cooperative societies, or "kampeličky". Each of these categories will be briefly referred to in the following paragraphs.

The savings banks are independent public banking institutions

which transact banking business under State supervision, and devote their profits exclusively to general utilitarian purposes. Their main purpose is to provide places of safe deposit. The legal basis upon which they rest was laid down by the Savings Bank Regulations of the year 1844, and in Slovakia by the rules relating to joint-stock companies. In 1920 the old rules and regulations gave way to a new law (Act of Parliament No. 302 in the Collection of Laws and Decrees). The savings banks are subject to supervision by the State and by their own Federation. Only a parish or other local authority can found a savings bank, and only two of the old savings bank societies have been left in existence. The business of the savings banks has shown considerable development. They have great importance in particular for building and mortgage credits as well as for communal loans, but they also grant loans to industrial enterprise, although this was not originally within the intentions of the savings bank system as a whole. The big savings banks are an important factor in State credit operations. The growth of deposits was not even checked in the first years of the economic crisis, and up to the end of 1932, when the commercial banks already showed a decline in deposits, the rise of bank deposits continued until the peak figure of 19,900 million Kč was reached. In the two following years these deposits dropped to 18,500 million Kč, but in 1935 they again rose to 18,800 millions. The total assets of the savings banks as shown by their balance-sheets at the close of 1935 was 23,500 million crowns. The savings banks have also established branches in Slovakia and Carpathian Ruthenia to supplement the inadequate organisation of non-profitmaking popular banks in those provinces. The Central Bank of Czechoslovak Savings Banks was to be the banking centre for the Czechoslovak institutions, and the Centralbank der deutschen Sparkassen for the German institutions in the Republic. The German Centralbank was very adversely affected by certain features accompanying the economic crisis, and for the past two years enjoyed a moratorium. Just recently a new centre for the savings bank system has been created by the conversion of the Central Bank of Czechoslovak Savings banks into the Head of the whole system. All savings banks must deposit with it a certain percentage of their own deposits, and at the same time the German Centralbank has been liquidated.

The middle-class (burghers) and traders credit and loan societies of the Schulze-Delitzsch system are institutions with membership shares; they accept deposits and grant loans on cheap terms to small

shopkeepers and traders mostly in the towns. They are established on the principal of self-help association. Their juridical form is that of cooperative societies (under a law of 1873), and only a few have the character of ordinary societies (according to the company law of the year 1852). Their legal position has more recently been adjusted by Government Decree (No. 169 in the Collection of Laws and Decrees of 1933), and they are also affected by the Act relating to book deposits (No. 239 in the Collection of Laws and Decrees of 1924). Burgher credit and loan societies were founded in Bohemia from the Sixties of last century onwards, and have shown very successful development. As early as 1865 it was decided to establish a special centre for these banks, and it was to be the Živnostenská Bank for Bohemia and Moravia at Praha. The credit and loan societies in Bohemia and Moravia ensured the necessary capital, and later at times of crisis proved also a support to the Bank. From the year 1884 there has existed the Union of Credit and Loan societies as a central headquarters with powers of supervision and representation, while in 1920 there was founded the Federation of Credit and Loan Societies which is their financial centre. The German credit societies had two federations with powers of supervision and representation, but these are now amalgamated into one. At the close of 1935 there existed some 1500 of these burgher credit and loan societies, which possessed in the aggregate 11.400 million Kč of book deposits, over 900 millions of deposits on current account, and nearly 14,000 millions of assets. Of the total number, 737 are farmers and traders societies affiliated to the agricultural cooperative federations since they mostly serve farmers and traders in the country districts. Traders credit and loan societies are of later origin; at the close of 1935 they numbered 550, and the amount of deposits is much less than that of the burghers credit and loan societies: the book deposits amounting to 860 million Kč, and total assets to 1170 million Kč. The principles of organisation and activity are the same as in the case of the preceding group. In the 6 federations of the traders' group there are organized some 600 traders' credit societies. The two groups together have about 1,000,000 members, about 700,000 debtors, the book deposits amount to 12,250 million Kč, emanating from some 2,250,000 depositors, and loans advanced total some 11,000 million Kč. This expansion has also been contributed to by the fact that the credit societies have not limited their operations to small credit transactions but that some of them have succumbed to the tendency to transact ordinary banking business, to participate in stock exchange

transactions, to cooperate in the parcellation of urban building sites, in building enterprise, and that their advances have not always been made for the benefit of the small producer and tradesman, but that they have financed industrial enterprise too.

The district agricultural credit societies in Bohemia took their rise from the contributory grain and cash funds established in the times of Joseph II. According to a Charter of the year 1788 every owner of arable land which was still subject to serf obligations had to surrender to this overlord for the common granary one-third of the grain necessary for sowing purposes. The supplies thus secured could be loaned out to such serfs as were in distress. Advances were sometimes made in grain and sometimes in cash. The funds thus created were, in the year 1863, converted into contributory credit societies managed by the owners of land subject to contribution. In the year 1882 these contributory societies were converted into district agricultural credit societies. A new legal basis was given them by Act of Parliament No. 128 in the Collection of Laws and Decrees of 1924. The function of the district agricultural credit societies is to grant to the local population, particularly the farming element, cheap credit and an opportunity of depositing their savings. In addition to current accounts, book deposits and loan business, they also participate in the purchase and letting of real property. Since the year 1914 they have been affiliated to a Federation of their own: membership of this federation was at first voluntary, but in 1924 was made compulsory. Its operations are subject to supervision by the local authorities and the Office of the Province. At the end of 1935 there existed 174 such credit and loan societies with book deposits amounting to over 4000 million Kč, advances made of some 3500 millions, of which 2300 millions were long-term loans, and total assets of approximately 4700 million Kč.

The small cooperative societies established on the Raiffeisen model, and existing in Bohemia and Moravia-Silesia mainly since 1890, are very important for the rural population. In Bohemia and Moravia they are known as "kampeličky" after Dr. Kampelik (1805 to 1872) who was the first to propagate them in this country. Their legal basis was provided by the law of 1873 relating to cooperative societies, but some special provisions apply to their federations. The purpose of these small cooperative societies is to secure cheap loans to farmers and other small undertakers in the villages, and to provide a place of deposit for their small savings. They are established on



the principle of unlimited liability on the part of the members. From the very outset of their existence the "kampeličky" have organised themselves into federations in the individual provinces. Towards the end of 1935 Bohemia and Moravia-Silesia had 4376 of these co-operative societies. Strict supervision by the cooperative federations, and technical and economic support from headquarters has resulted in the establishment of an adequate network of cooperative societies with a total membership of 700,000, which have deposits of nearly 5000 million Kč, and have advanced 3750 millions in loans, of which 1000 millions represent mortgage loans. The paid up shares together with the reserve funds total 215 millions. In addition to ordinary credit operations the "kampeličky" assist in the purchase of inventory and other requisities for the farmers, such as fertilizers, machinery and implements, improved seeds, etc. In Slovakia and Carpathian Ruthenia, too, the cooperative idea has spread, and the number of cooperative credit societies, whose legal position is defined in the co-operative laws passed in 1875 and 1898, reached about 1220 at the end of 1934. In their structure and methods of business they are similar to the "kampeličky" in Bohemia and Moravia-Silesia. They are likewise affiliated to federations. They have 320,000 depositors, deposits of 1,030 million Kč, some 300,000 debtors, and have made advances to a total amount of more than 1,000 million Kč. Since the year 1921 the agricultural credit cooperative societies have concentrated themselves through their 12 federations in the 'Centrokoooperativ'-Federation of agricultural cooperative societies of Czechoslovakia, of Praha, which is the supreme organ for supervision and representation.

Similar cooperative bodies, carrying on small credit business, have arisen in the form of various workingmen's credit cooperatives, the financial centre of which is the General Cooperative Bank, and their centre of organisation the Corporative Central Union of Cooperative Federations at Praha, to which 6 independent federations with 84 credit societies adhere.

## OTHER BANKING INSTITUTIONS.

Among the institutions of special character there is, in the first place, the Czechoslovak Rediscount and Lombard Institute, established in 1934 with an object specifically laid down by law, namely, to ensure the liquidity of the weaker banking institutions.

The Rediscount Institute which commenced its operations on the

2nd of May 1934 had by the end of 1936 accumulated, in addition to the cash deposit of 100 million Kč by the State, a sum of over 500 million Kč representing compulsory deposits by the banks. In looking after the interests of the popular banking concerns the Institute relies upon rediscount and lombard credit at the National Bank of Czechoslovakia, and in its care for the gilt-edged stock market upon the collaboration of the Consortium for State credit operations. The measure of success achieved by the activities of this Institute has been referred to in several portions of this publication.

Another special institution is the Post Office Savings Bank into which the former Post Cheque Department, the successor of the Austro-Hungarian Post Office Savings Bank within Czechoslovak territory, was converted. Although its current activities are only to facilitate payments and the collection of small savings in places where there are no banks, the sum total of funds at the disposal of the Post Office Savings Bank consisting of small cheque accounts and savings deposits represents a big financial force which can, and does, constitute an effective factor in the money market. For this reason the Post Office Savings Bank carries out various transactions for the Treasury in the money market, and thus comes into consideration as a responsible co-factor in the issue of State loans and in action to foster the investment stock market. The Post Office Savings Bank, therefore, performs a threefold service: as a savings bank, collecting the smallest deposits which would otherwise not find their way into the other banks—as is shown by the fact that the average deposit per book does not exceed Kč 650; as a clearing house for payments, thus reducing the demand on the circulation (the annual turnover of these payments now amounts to approximately 240,000 million Kč); and finally it functions as a bank, assisting the State in its regulation of the monthly Treasury requirements.

Institutions peculiar of their kind are the Orphan Trustee Funds which have existed in Bohemia and Moravia-Silesia since the sixteenth century, and were regulated by Imperial Decree of the year 1858. The total deposits (monies due to wards) administered in the funds are estimated at about 400 million Kč. The number of Funds is 332. Their credit operations are limited to advances on real property, the purchase of trustee securities, and the deposit of cash in specifically qualified banking institutions.

In Czechoslovakia, as in other countries with a well developed money market, the insurance societies are an important factor of

the capital market. In Czechoslovakia, however, the public, social insurance institutions have an important position alongside the private insurance concerns. As public insurance is of an obligatory character, the large number of insured persons with their regular contributions signify the accumulation of huge reserves which flow back into the market as investments, especially in real estate, or as cash items in various forms. The assets of the Central Insurance Institute alone amount to 5,750 million Kč, the assets of the General Pensions Institute to more than 4,000 millions, and those of the subsidiary institutions for pensions insurance to 3,000 millions, etc. The activities and financial policy of the insurance concerns have immense importance for loans for public bodies, mortgage and land improvement loans, lombard credits, the purchase of securities, especially gilt-edged stock, and finally for the accumulation of ready funds in all the varied banking institutions. The importance of the public insurance institutes for the capital market is one of Czechoslovakia's characteristic features.

As regards the number of institutions, the banks of various forms (joint-stock, public, limited companies) number altogether 106, of which the really important ones do not exceed 10. At the close of 1935 the savings banks numbered 356, the district agricultural credit societies and similar institutions in Moravia and Silesia were about 660 in number at the end of 1934, the burghers and traders credit societies numbered 1,922, and the cooperative institutions nearly 5,700. Including branch concerns, the total number of banking institutions, apart from various banking houses, is approximately 9,300.

The money market, composed of such varied factors, is a complicated institution. Leaving the insurance concerns out of count, and judging the relative importance of the individual categories according to the deposits entrusted to them, we get the following picture: in the first place come the savings banks with deposits of nearly 19,000 million Kč, the second place is taken by the joint-stock banks in Bohemia and Moravia-Silesia which, if the Slovak branches be added, represent deposits of 11,400 millions. If we include with the 'kampeličky' (Raiffeisen) societies in Bohemia and Moravia-Silesia the credit cooperative societies in Slovakia and Carpathian Ruthenia, as well as the credit societies of agricultural character affiliated to the agricultural cooperative federations, and whose deposits must be deducted from those of the burgher credit societies, these agricultural credit societies possess altogether deposits to the

amount of about 9,000 million Kč, that is to say, approximately as much as the burgher and traders credit societies together. The fifth place is taken by the district agricultural credit societies with 4,000 million Kč of deposits. Finally come the Provincial Institutes (the Zemská banka, etc.) with deposits of 1,900 millions, and the Post Office Savings Bank. At the end of 1935 the sum total of deposits and sums invested in Treasury Bills was 54,300 million Kč.

The amount of deposits does not, however, permit of conclusions as to the relative importance of the various groups of banks, for while in the case of the popular banks the savings deposits are very imposing in their sum total they are scattered and employed in the most varied parts of the State: on the other hand the joint-stock banks represent concentrated capital. The big commercial banks, therefore, the leading bond-issuing institutions, and some few of the leading popular banking institutions together with the Czechoslovak Rediscount and Lombard Institute, the Post Office Savings Bank, and the public insurance bodies, are the dominating factors of the market, proportionately much more important than their share in the nation's savings would indicate.

# MAIN DATA RELATING TO BANKS

	1935			
	Joint-stock banks	Banks without share-capital	Joint-stock credit institutions in Slovakia and Carpathian Ruthenia	Limited liability companies in banking business
Number of institutions . . .	23	9	57	16
Capital . . . . .	1.266,7	56,0	250,4	22,4
Reserve . . . . .	1.125,5	356,1	152,3	5,3
Bonds issued . . . . .	487,1	5.974,7	—	—
Savings deposits . . . . .	8.814,6	1.879,5	2.346,5	—
Creditors . . . . .	12.195,7	4.100,7	760,8	184,3
Other liabilities . . . . .	502,2	134,6	23,3	2,6
Profit . . . . .	76,8	11,4	15,1	1,3
Total assets or liabilities . .	24.468,6	12.513,0	3.548,4	215,9
Cash . . . . .	3.202,0	661,8	415,3	22,9
Securities . . . . .	2.987,9	2.348,7	351,2	37,6
Participation . . . . .	801,8	—	76,1	0,4
Debtors . . . . .	15.835,9	3.356,3	2.428,3	131,6
Long-term loans in form of bonds . . . . .	517,0	5.942,1	—	—
Buildings . . . . .	624,5	79,0	219,7	6,2
Other assets . . . . .	377,5	125,1	46,5	1,7
Loss . . . . .	122,0	—	11,3	15,5
Active interest . . . . .	844,9	433,0	165,9	7,6
Interest on securities . . . .	162,6	96,4	17,5	1,5
Commission, brokerage . . .	154,8	23,3	16,7	1,0
Passive interest . . . . .	767,9	490,0	127,3	5,9
Expenditure:				
a) cost . . . . .	46,0	8,3	10,2	1,4
b) salaries . . . . .	332,8	48,2	48,6	5,9
c) fees and taxes . . . .	28,8	8,2	9,4	0,8
Total of profit and loss . . .	1.412,2	572,9	233,1	32,2

## IN THE YEARS 1919—1925 (in millions of Kč)

1935	1934	1933	1932	1931	1930	1929
Aggregate of all categories						
105	105	109	121	123	128	141
1.595,5	1.634,2	1.636,7	1.675,4	1.915,6	2.321,2	2.322,4
1.639,2	1.712,2	1.680,2	1.670,1	1.719,3	2.226,2	2.078,1
6.461,8	6.280,2	6.285,2	6.245,9	5.868,9	5.086,6	4.563,3
13.040,6	12.677,8	12.554,5	13.419,8	13.789,8	14.335,3	13.154,4
17.241,5	16.391,8	16.048,5	16.910,4	18.256,4	21.710,9	21.968,7
662,7	671,1	869,9	774,0	881,5	1.053,1	1.141,1
104,6	106,8	103,2	111,3	114,3	274,0	318,8
40.745,9	39.474,1	39.178,2	40.806,9	42.545,8	47.007,3	45.546,8
4.302,0	3.403,1	3.288,2	3.641,8	2.414,1	3.643,6	3.402,2
5.725,4	5.431,5	5.248,0	5.117,8	5.658,1	5.345,3	4.813,3
878,3	869,9	884,9	913,9	927,1	1.220,1	1.172,5
21.752,1	22.015,0	22.112,8	23.599,0	26.462,6	30.526,5	30.415,2
6.459,1	6.238,1	6.270,9	6.242,8	5.845,3	5.046,7	4.538,5
929,4	934,4	906,8	863,3	823,0	682,1	682,6
550,8	474,1	411,2	416,9	414,9	542,5	521,7
148,8	108,0	55,4	11,4	0,7	0,5	0,8
1.451,4	1.488,8	1.711,5	2.058,6	2.184,0	2.246,2	2.286,1
278,0	252,2	254,6	238,6	270,1	259,8	242,6
195,8	198,5	219,2	249,3	296,9	332,0	339,0
1.391,1	1.372,1	1.540,4	1.896,6	1.859,2	1.882,2	1.875,9
65,9	69,7	77,0	82,8	98,1	112,3	117,3
435,5	440,6	482,5	533,3	569,4	600,6	599,3
47,2	43,7	45,3	51,4	59,0	84,8	87,9
2.250,4	2.206,5	2.369,5	2.735,8	3.549,9	3.009,5	3.056,7

# MAIN DATA REGARDING PEOPLE'S CREDIT INSTITUTIONS

	1935				
	Savings Banks in Bohemia, Moravo-Silesia and Slovakia	District agri- cultural credit banks in Bohemia	Civic and tra- desmen's credit cooperatives in Bohemia and Moravo-Silesia	People's credit institutions in Bohemia and Moravo- Silesia	Credit coopera- tive societies in Slovakia and Ruthenia
Number of institu- tions . . . . .	356	174	1.909	4.371	1.190
Capital . . . . .	—	39,3	252,1	11,9	55,0
Reserves . . . . .	1.426,6	216,9	767,3	203,2	44,0
Savings deposits . .	18.810,3	4.029,6	12.148,1	4.924,5	938,7
Creditors . . . . .	3.004,7	357,8	1.585,9	238,5	368,2
Other liabilities . .	121,5	24,7	104,6	19,7	15,7
Profit . . . . .	111,0	8,2	58,9	17,2	4,9
Total assets or lia- bilities . . . . .	23.474,1	4.676,5	14.916,9	5.415,0	1.426,5
Cash . . . . .	116,2	30,9	117,9	60,8	23,2
Money at call . . .	3.368,0	666,2	1.986,9	1.180,2	245,1
Securities . . . . .	5.889,6	316,8	1.070,5	180,6	16,8
Advances . . . . .	12.688,3	3.452,3	10.802,4	3.743,8	1.092,3
Buildings . . . . .	493,8	96,8	660,5	82,9	21,4
Other assets . . . .	910,0	113,5	268,4	166,2	26,4
Loss . . . . .	8,2	0,0	10,3	0,5	1,3
Active interest . . .	835,5	223,5	687,0	253,7	76,2
Interest on securi- ties . . . . .	279,6	16,3	49,6	9,3	0,9
Passive interest . .	823,7	175,9	531,1	204,2	49,2
Expenditure:					
a) cost . . . . .	37,0	9,6	39,5	11,2	7,9
b) salaries . . . .	143,7	26,2	108,7	12,9	18,3
c) fees and taxes .	21,1	5,4	23,4	4,6	2,4
Total profits or losses . . . . .	1.173,8	247,6	812,7	270,6	86,7

IN THE YEARS 1929—1935 (in millions of Kč)

1935	1934	1933	1932	1931	1930	1929
Aggregate of credit institutions						
8.000	8.055	8.055	8.006	7.847	7.633	7.414
358,3	360,1	358,4	351,2	339,7	318,8	290,9
2.658,0	2.584,8	2.451,1	2.296,4	2.147,2	1.897,6	1.660,2
40.851,2	40.020,0	40.270,9	42.396,4	42.764,5	39.995,2	36.622,6
5.555,1	5.151,3	4.817,5	4.604,5	4.443,2	3.883,8	3.581,3
286,2	268,2	258,0	294,3	269,0	339,3	344,1
200,2	206,2	214,1	273,1	250,7	270,7	271,5
49.909,0	48.590,6	48.370,0	50.216,0	50.214,3	46.705,4	42.770,6
349,0	338,1	332,9	344,4	394,1	407,8	391,9
7.446,4	5.890,2	5.073,1	5.950,9	6.604,1	7.057,0	6.703,2
7.474,3	7.263,9	7.126,1	7.146,1	7.241,4	6.610,9	5.988,0
31.779,1	32.267,3	32.935,0	33.966,0	33.365,1	30.633,5	27.849,6
1.355,4	1.248,2	1.177,9	1.104,1	1.030,5	834,3	701,3
1.484,5	1.555,3	1.714,1	1.691,8	1.568,9	1.142,2	1.125,9
20,3	27,6	10,9	12,7	10,2	19,7	10,7
2.075,9	2.067,3	2.244,7	2.482,9	2.416,6	2.267,2	2.076,5
355,7	353,3	363,9	439,1	406,0	361,9	343,4
1.784,1	1.738,9	1.873,9	2.160,7	2.089,8	1.952,4	1.771,9
105,2	107,9	117,9	122,5	119,0	111,0	104,3
309,8	305,4	297,4	294,9	280,6	264,7	238,6
56,9	73,6	77,5	83,7	81,7	78,6	78,3
2.591,4	2.580,8	2.750,3	3.078,8	2.987,3	2.790,1	2.559,5



# *The Development of the State Finances*

By Dr. JAROSLAV RUDOLF.

## THE STATE FINANCES FROM THE WAR TO 1925.

The early years after the War did not pass without considerable economic difficulties that issued from the unhappy consequences of the currency collapse in former Austria-Hungary and from the necessity of restoring the economic forces of the country that had been exhausted by the long years of warfare. The revenues, of course, could not suffice to secure the ordinary run of State administration. Normal development was hindered by the disjointed assessment service and collection of taxes, arrears dating from the War years, and the new tasks which had fallen to the lot of the finance offices, especially the conscription and stamping of the banknote circulation. Supplies of flour for the needy population called for abnormal sums in the first few post-War years. It was impossible to meet the Budget deficits by other means than raising credits. The money was raised right away by loan (Liberty Loan), current account advances (by the banks and the Post Cheque Department), by long-term and short-term foreign loans, and finally by the issue of Treasury Bills. In the year 1920 long-term internal loans were issued—the Premium Loan and the IV. State Loan. In the year 1921 (according to the Estimates there was a deficit, but the actual final accounts showed a surplus) there was issued a Building Lottery Loan to help solve the housing problem, and an Investment Loan for productive investment connected with the Post Office and the railways, but the issues met with little success. To meet the deficits arising from the purchases of supplies of flour in the early years after the War a Flour Loan was issued. In addition to that, short-term credits were contracted which were for the most part afterwards converted into Treasury Bills. The years 1922, 1923 and 1924 were marked by short-term and long-term credit operations as well as by foreign loans, the last-named year, in addition to a Budget deficit of 600 million Kč showing uncovered allocations for productive investment to the extent of 2,125 million crowns. In the year 1925 a radical turn for the better took place in the State finances, the Budget deficit being substantially reduced compared with 1924. The State contracted no more fresh short-term debt, and paid of a substantial proportion—nearly 1,000 millions—of the existing debt. New debts were now

either a continuation of long-term credit operations based on laws of the preceding years, or foreign debts.

## THE STATE FINANCES FROM 1926 TO 1930.

### The Year 1926.

With the year 1926 began the period of balanced Budgets. Compared with the previous deficits, the Estimates for 1926 showed a surplus of 15.5 million Kč—the result of expectations of increased revenue and of a considerable reduction in expenditure. Only an item of something over 800 millions for productive investment was still left to be raised by credit operations. The system of drafting a separate investment Budget was abandoned, and productive investment requirements were included in the estimates for the individual departments. The State undertakings now appeared in the Budget only in the form of the net results of their workings. A policy of restriction was designed to bring about a permanent improvement in the Budget for the future.

The trend of the State finances in 1926 was favourable. Throughout the whole year the State contracted no borrowings either to meet current expenditure, nor for productive investment purposes, save for two small advances to the undertakings. The Consolidation Loan issued for subscription in February was designed for the conversion of pre-War debt, and its actual yield was employed in paying off current debt. The State continued to consolidate and pay off floating debt, a process at which it had aimed since 1924. The highest circulation of Treasury Bills had been that of 6,237.4 million Kč at the end of 1923, but by the end of 1925 the amount had already dropped to 4,141.6 millions. In the course of the year 1926 the total circulation of Treasury Bills declined to 3,040.6 million Kč. In that year a beginning was also made with the redemption of Treasury bonds, the circulation falling from 1,536.2 to 1,360.3 million Kč. Thus in 1926, as in the preceding year, the State did not deprive the money market of any of its funds. This financial policy on the part of the State was bound to have a favourable effect upon the money market, which in previous years had been heavily burdened by big issues of State loans. A reduction of rates of interest and increased liquidity gave a stimulus to the Bourse and caused a rise in prices, first of all of those of investment stock, notably gilt-edged securities, and then of shares. In the sphere of direct taxation work went forward with intensity upon the drafting of a Bill which was to effect a unification

of the law relating to direct taxes throughout the whole Republic, and an adjustment of the finances of the local government bodies. At the same time an effort was made to eliminate as far as possible the deleterious effects of Wartime and post-War conditions, as well as the effects of over-taxation and at the same time to work off the cases of arrears of taxation and appeals dating from past years.

### The Year 1927.

In drafting the Estimates for 1927 a new classification was carried out to correspond to the economic structure of the State. The Budget was divided up into four groups: actual State administration, the management of the State undertakings, the allocations of taxes and charges to the local government bodies, and the administration of the National Debt. By placing the State undertakings in a group of their own, the Budget was logically adjusted to the severance of the State administration from the State enterprises. This classification made the Budget practically more lucid and simple. With these changes in the Budget were connected changes in the Finance Act, especially an adjustment of the relations between the State administration and the management of the State undertakings. Whereas the Budget for 1926 had met the capital investment requirements of the State undertakings by credit operations, the Budget for 1927 met them in 1927 out of the current working receipts of the individual undertakings. The Finance Act for the year also provided for the establishment of a special fund for the consolidation of the State's floating debt. The administrative (ordinary) expenditure for 1927 was 9,703 million Kč, and the revenue 9,723 millions, so that the Budget showed a surplus of 20 millions. When it is remembered that fresh expenditure for the year 1927 amounted to over 800 million Kč, and the total expenditure for the year was only 430 millions higher than that for 1926, it is clear that the surplus was achieved substantially by a reduction of the old expenditure. It can thus be said that the State finances in 1927 were, taken as a whole and inclusive even of capital investment, in equilibrium. There remained open, however, to a large extent the old problem of provision for teachers' salaries and the deficits of the Provinces. These payments, which had never appeared in the Estimates and amounted to 900 million Kč were partly met by reserving for the purpose the share of the turnover tax that belonged to the Provinces. For the year 1926, however, it was calculated that in this way only half the outlay would be met

and that the balance of about 440 million Kč would not only never appear in the Estimates but would also not be met by the Provinces. In the meantime the sum was paid, like all legal salaries, by the State in the form of an advance to the Provinces. For the 1927 budgetary year the deficit referred to was reduced owing to an increased share in the improved yield of the turnover tax and the reservation of a 30% surtax on all direct taxes for the purpose of meeting teachers' salaries. The rest became the subject of negotiations in connection with the deficit generally in the finances of the Provinces. The solution of this problem and settlement of the deficit of the Provinces was one of the main tasks which faced the financial authorities in 1927. Between them and the army authorities a certain adjustment was agreed upon by which the vote for national defence was permanently reduced by 220 million Kč.

The State-note debt (the debt accruing from the taking over of bank-notes, cheque account balances and Treasury Bills), which originally amounted to 10,190 million Kč was partly paid off, mainly out of the capital levy and the tax on increment values. Later, the Minister of Finance was empowered to apply a portion of the capital levy to the amortisation of the State bonds. Up to the 31st March 1926, the day on which the functions of the Banking Office of the Ministry of Finance came to an end, the total of the State-note debt was reduced to 4,965 million Kč. The original estimate of the yield of incomings was not attained owing to the tax remissions granted under a law amending the provisions of the Act of Parliament imposing the capital levy and the increment duty. The State therefore contracted with the Bank to make further annual payments of 110 million Kč towards paying off the State-note debt.

As will have been seen, the development of the State finances in 1927 was as favourable as it had been in 1926: throughout the whole year the State contracted no fresh loans, either to meet current expenditure or productive capital investment. The efforts towards consolidation and redemption of current short-term debt were continued. The total Treasury Bills which had amounted to some 3,040 million Kč on the 1st January 1927, dropped in the course of the year by more than 530 millions, and amounted on 31st December 1927 to 2,510 millions. State bonds were redeemed to the amount of 152 millions, and the internal debt was reduced by 182 millions. The financial authorities were able to carry out an important reform of direct taxation which was of great importance for the capacity

of the country's industries to compete in the world markets, and for facilitating the creation of capital. The law concerning stabilisation balance-sheets was designed to make it possible to eliminate from balance-sheets the consequences of the shifts in the exchange rate, and to enable all the items of the balance-sheet to be expressed in monetary units of equal value. This secured a better insight into the balance-sheets, and often made it possible to write off items according to the principles of proper management. The financial policy of the State had, as before, a favourable influence upon the money and capital market. Influence in the same direction was exerted by the growth of savings (the effects were already being felt of the accumulation of capital in the hands of the public insurance institutes), by the return of the capital still remaining abroad, and finally by the general tendency in the international money markets.

#### The Year 1928.

The Estimates for the year 1928 anticipated a surplus of 26 million Kč. Compared with the preceding year the expenditure was higher by 167 millions, but only apparently so in consequence of several formal changes. It had been necessary to overcome very many difficulties in order to meet new and urgent tasks. This result was achieved despite the fact that the Budget included all other non-State expenditure except the advance made to meet the salaries of the teachers. Thus, for instance, it included relief expenditure on the Russian emigrés and on invalidity provision. Despite the flourishing business conditions, the unemployment estimate was increased in order to prevent the Budget figures being exceeded. Complete budgetary order was attained with the exception of just the problem of the teachers' salaries. In addition to that, there was a substantial increase in some of the old items, to a total of more than 200 million Kč. In order to maintain Budget equilibrium, economies were effected in other sectors to the amount of over 2,500 million Kč—mainly in respect of the service of the National Debt, in the liquidation of reparation payments, etc. Revenue was lower by 161 millions, compared with the preceding year. The drop was caused mainly by taxation reform, reckoned to account for 200 million Kč. The Budget, however, showed a surplus, even allowing for reduced revenue as a consequence of taxation reform, for full payments to meet the provisions of new laws relating to salaries, for increased subventions for economic, social and administrative purposes, and

for inclusion of all non-State expenditure apart from the item of the teachers' salaries. This surplus was achieved mainly by means of substantial economies, particularly in the debt service, and through the increased receipts from the State undertakings. Of budgetary equilibrium for the year 1928 it is necessary to say that it had behind it less reserves than had the Budget for 1927, since the entire yield of the Post Office was left to that department for the purpose of capital investment.

The State finances continued their favourable trend in 1928. The actual total surplus, after allowing for both budgetary and non-budgetary expenditure, was 95 million Kč, and was thus more favourable than had been anticipated in the Estimates. The principle that the home money market was not to be burdened by new loans was abided by. A formal exception was seen in the raising of a 5% internal loan of 550 million Kč for the purpose of paying off the 7½% External Loan of 1925. This transaction reduced the burden of interest for the Treasury, and simultaneously reduced the amount of foreign debt. The National Debt otherwise declined, the short-term debt being reduced by 449 million Kč to 3,335 millions, inclusive of Treasury bonds. The fund for consolidation of the floating debt reached a level of 621.5 million Kč. The State note-debt was reduced by 347 millions to approximately 4,097 millions.

### The Year 1929.

The Estimates for 1929, as far as the ordinary Budget was concerned, showed a surplus of 35.5 million Kč. The final accounts for the past three years had shown that actual administration had left a surplus even after meeting all non-budgetary expenditure—mainly the teachers' salaries which still continued an unsettled problem. As the expenditure was not increased, the surplus, provided revenue was maintained, was increasingly certain, and it was regarded as essential to utilise the surplus to make a refund of commercial taxes which were the most injurious to production and to export trade. In the sphere of finances a good or a bad economic situation is not reflected till a certain time afterwards, since the results as a rule do not make themselves felt at once. Therefore the financial results of the future may be judged of according to the precedent economic situation. Budget equilibrium in these circumstances continued to have a firm basis and became a permanent feature. From the point of view of the national economy, however, it was important that

not only the State finances, but also that public finances generally should be in equilibrium, since the deficits of the local government bodies in the long run exert pressure on the State and on its sources of revenue, or menace production and consumption through the increased burden that they represent. Thus the problem of the teachers' salaries continued to be a serious one. It was less serious, of course, as time went on, since the financial authorities had already raised a full 700 million Kč out of the turnover tax towards meeting the 1,000 million required. In aiming at permanent budgetary equilibrium it was impossible to lose sight of the new tasks with which the authorities were faced, in particular a rehabilitation of the friendly societies' sick clubs and provision for old age pensions. The principle of equilibrium applied to this Budget too. It was, as it continues to be, in the interest of that equilibrium that expenditure should not increase. If, as a result of the War and post-War conditions the Budget had not attained undue dimensions it would have been possible to allow of a growth of expenditure in proportion to the growing capacity of the country's economy to bear it. When, despite such increased capacity, expenditure was stabilized, the burden for national economy was reduced. Thus it was designed to make the expenditure correspond to the country's economic capacity. The estimates for 1929 showed expenditure slightly below the figure for the preceding year. The final Budget accounts, however, showed that the actual reduction had been one of 54 million Kč. Increases were recorded in particular in the item of pensions, in connection with the reform of public administration, in subvention to the State Railways, and in connection with the carrying out of the cadastral law. The revenue was slightly in excess of that of the preceding year.

The development in the year 1929 was again favourable. There was an actual surplus as regards budgetary and non-budgetary administration of more than 1,000 million Kč. The principle that the money market was not to be burdened by new State loans was observed. By drawings, purchase and other means the National Debt, including the State-note debt, declined in the course of the year by 863 million Kč. On the other hand there was a growth of 243 millions connected with the liquidation of debts taken over from former Austria-Hungary. Short-term internal debt declined by 76 million Kč, and the State-note debt by 336.5 millions to the level of 3,761 million Kč.

The Estimates for 1930 likewise showed a surplus notwithstanding a number of abnormal circumstances that prevented a more rapid reduction of the call of the public finances on the national income. This was the sixth Budget since the establishment of the Republic to present a surplus, and the fifth in succession to do so. The total figure was approximately the same as for the preceding Budget and despite the fact that several reductions of expenditure were not the result of actual economies but represented merely formal shifts, no considerable increase took place. While the figures of expenditure rested on the same bases as in the 1929 Budget, the increase as against that year was one of 13 million Kč. On the structural side a basis was found for methods of meeting the teachers' salaries, so that this item, too, amounting to 800 million Kč became an ordinary item of the administrative Budget and was duly met. The financial results of the year 1930, however, already began to betray evidences of the worsening that was taking place in economic conditions, for compared with the estimated surplus of 53 million Kč the actual accounts at the close showed a deficit of 666 millions. This deficit was caused on the one hand by increases in certain items of expenditure, and on the other by a decline in revenue, mainly in direct taxes, the tax on earnings, the commercial taxes, and customs duties. The financial authorities continued their programme of amortisation of the National Debt. Out of general funds over 370 million Kč of internal consolidated debt was paid off, and nearly 103 millions of External debt. Out of the yield of the capital levy some 133 million Kč of bonds were paid off.

The Budgets for the five-years period from 1926 to 1930 were drafted on the principle of a stabilisation of expenditure. The authorities acted upon the conviction that after the appreciation in the currency in 1922 the administrative expenditure was too high, and that the burden of meeting it weighted too heavily upon production and consumption, that the system of taxes was based largely upon commercial taxes which were out of harmony with the structure of the State from the angle of national economy, since they retarded export, and upon certain burdensome taxes on consumption that affected essential foodstuffs (sugar, meat); that a remedy was not, however, to be found in a sudden reduction of taxes and duties but gradually by stabilising the extent of State expenditure for a considerable time to come. Expenditure and sources of revenue remain-



ing unchanged, the yield of revenue naturally increases in view of the normal growth of population, production, consumption, capital, etc., and the result is surpluses which enable the authorities to meet expenditure for which provision has not been made, to reduce taxation burdens and to accumulate reserves in anticipation of unfavourable years. During this period of stabilisation policy many financial problems were solved. Provision was made, in particular, for the great bulk of non-budgetary payments, mainly the teachers' salaries, for which reserves to the amount of 800 millions had been accumulated. Of the commercial taxes, the yield of the transport tax for 1931 was surrendered to the Railways to the amount of 400 million Kč, and, for the five-year period, 789 millions were refunded to the Railways: at the same time the coal tax and turnover tax were refunded to the export industries. The balanced state of the finances made a reform of direct taxation possible, and produced an alleviation of over 500 million Kč. Funds to meet the salary system to the amount of over 1,000 million Kč were raised, although in this five-year period the only tax increase was that in the sugar tax to produce an extra 200 millions per annum. It was found possible to allow the Railways, the Post Office and other State undertakings to retain their net profits for capital investment to the total amount of 1,723 million Kč for the five years. It was found possible, too, to take over from the Railways their entire debt including amortisation service, so that the Railways only contribute a gradually declining sum on account of interest. This sum declined by 60 millions between 1926 and 1931. In the consolidation fund the finance authorities accumulated reserves, out of which a sum of 762 million Kč was exceptionally utilized for paying off State debt. The short-term debt of the State declined in the five-year period by 2,554 million Kč, and the State-note debt by 1,545 millions.

Current tasks and their natural development did not suffer in connection with all this, for no new administrative debts were contracted, the State finances being in perfect equilibrium. Existing debt was being paid off and converted, so that there was room for taking up fresh tasks. The annuities of pre-War pensioners were increased and a Road Fund established, among other things. Five years of stabilisation had been able to solve the remaining financial problems and to consolidate public economy to the full, for considerable reserves of revenue were available.

The National Debt, exclusive of the State-note debt, was shown

in 1930 to total approximately 33,000 million Kč. Deducting from that sum the amount of debt taken over on the establishment of the Republic, and the debt accruing from the struggle for independence, together with interest—a total of 17,970 million Kč—the actual Debt amounts to 15,030 millions, a sum which can be regarded as the aggregate of the country's financial deficits since the establishment of the State after the War. This deficit is, of course, offset to a great extent by assets in the form of increased State property, as a result in part of extensive building operations, productive investment in the State undertakings, nationalisation of property that was formerly in private hands, and participation by the State in private enterprise. Thus the ultimate deficit may be estimated at a much lower figure—according to the Budget something over 6,500 million Kč—a sum which cannot be considered excessive in view of the grave economic and financial situation in which the country found itself after the War.

## THE STATE FINANCES FROM 1931 TO 1936.

### The Year 1931.

Owing to the changed economic conditions, the Estimates for 1931 showed an increase in ordinary expenditure—thus infringing on the principle of stability of expenditure—by 471 millions nominally, but actually by 545 million Kč. This increase was abnormal and was due to the accumulation of new and important tasks. On the revenue side import licences reduced the yield of customs duties, while on the expenditure side the payments due under the Peace Treaties amounting to 114 million Kč were finally settled, an adjustment of pensions cost over 135 million Kč (exclusive of the State undertakings), Christmas donations to State employees over 111 million Kč (not including the employees of the State undertakings, and teachers), resystemisation called for 77 millions, the reform of the Ghent system and increased unemployment pay for 50 millions, the new housing enactment for 15 millions, a new adjustment of invalidity allowances for ex-service men 13.5 millions, increased expenditure on State buildings—making a sum total of over 567 million Kč. In the smaller items there were increases which aggregated about another 100 millions. That the Estimates were not increased to the same extent is accounted for by the fact that economies were made in other directions, especially in the paying off of debt. Com-

pared with the year 1930, the expenditure showed a rise of 545 million Kč and the revenue one of 497 millions. The Budget showed a slight surplus. The deterioration in economic conditions had a particularly adverse effect upon the financial situation of the railways. The National Debt in 1931 figured at 731 million Kč more than in 1930, for new debt had accrued through the final regulation of external debt under the Peace Treaties, and by the conversion of the War loans. The short-term internal debt had fallen in 1930 by 116 millions, and the State-note debt by 308.5 millions. In the course of 1931, however, there was further expenditure in an effort to mitigate the economic crisis, and on capital investment. To raise the necessary funds for certain productive investment an internal loan of 1,300 million Kč was issued. The revenue as a whole failed to keep pace with the growing expenditure.

From the very beginning of 1931 it was evident that it would be impossible to keep to the figures of the Estimates, especially on the expenditure side. The Treasury suffered mainly under the increased expenditure on unemployment and the unfavourable trend of the finances of the State Railways. Budget and non-Budget administration closed with a deficit of 312 million Kč.

The balance of payments developed favourably in the first half of 1931, as it had done in the preceding years. From June on, however, the unrest which had prevailed in Europe since May, caused a calling-in of short-term credit, and this trend assumed a sharp intensity in the Autumn. It was seen what a great advantage it had been to Czechoslovakia that the country's economy had been adjusted so as to manage on domestic funds and not to have to make use to any great extent of short-term foreign credit to finance objects that extended long into the future. It was thus found possible, without any great dislocations, or difficulties, to pay off the bulk of private credits which had been placed in Czechoslovakia. The outflow of these monies caused a deterioration in the balance of payments in 1931, but on the other hand signified an improvement in the total capital balance of Czechoslovakia vis-à-vis other countries, and was to a certain extent a step towards the elimination of debt, though it came, of course, at an inconvenient moment. The sum which it was necessary to make use of in the second half of the year 1931 to pay off the short-term loans that had been called in, coupled with the impossibility of calling in Czechoslovak assets abroad, can be estimated at 2,000 million Kč.

The Estimates for 1932 showed a small surplus of 4.6 million Kč. The equilibrium of this Budget was achieved by a substantial reduction of expenditure and by fixing revenue at the maximum amount attainable. It was impossible to avoid the increased expenditure to the amount of some 600 million Kč in 1931, since it was based, on the one hand, on claims accruing from international agreements (a definitive adjustment of Czechoslovakia's obligations to other countries under the Peace Treaties), and, on the other hand, was necessary to meet the effects of the economic crisis. The increased outlay was able to be met partly out of revenue reserves accumulated in previous years. The Budget for 1931 had been one drafted at the threshold of the crisis—a Budget in which the revenue, mainly from direct taxation, was still based on the relatively favourable economic situation of the year 1930, but the expenditure for 1932 now bore the marks of the economic depression, and the Budget for the year had to take account to its logical conclusion of the unfavourable economic conditions. The financial authorities were faced with a problem similar to that which faced them in the period of post-deflation in 1922, only that now the world-wide wave of depression was still more serious. For 1932 an increase of expenditure as against 1931 was estimated to the amount of 400 million Kč, so that it was essential to make cuts elsewhere, and budgetary outlay was finally reduced by nearly 520 millions, so that compared with 1931 the actual reduction was one of more than 900 million Kč. This reduction included 122 million Kč on pensions and cost-of-living contributions, and a saving of 116 millions on interest and amortisation of External debt for 1932. The revenue for 1932, compared with 1931, was lower by 520.5 million Kč. It proved impossible to abide by the original estimates, especially on the expenditure side. The difficulties for the Treasury arose mainly from outlay upon unemployment, and the unfavourable trend of the financial result of the working of the railways which showed a deficit of 800 million Kč. The Government therefore reduced the expenditure of the Budget which had just been passed, and issued a number of instructions for the making of various other economies. New sources of revenue were sought. Surcharges on the turnover and luxury taxes were introduced, the surcharge on income tax and tax on directors' fees was increased, the tax on yeast and the prices of tobacco were raised. In addition to this, the Treasury

received the yield of several loan transactions: a French loan of 600 million francs, a  $5\frac{1}{2}\%$  loan of 148.5 million Kč secured from the insurance institutes, and the yield of an issue of 6% Treasury Bills. The financial authorities raised interim credit in particular from the public banking institutions. Budget and non-Budget administration closed with a deficit of 438 million Kč.

### The Year 1933.

The efforts of the financial authorities were directed towards securing that the State finances for the year 1933 should be in equilibrium, and that steps should be taken to accommodate expenditure to the changed price level and economic conditions. With the active cooperation of a Parliamentary Budget commission, the Estimates for 1933 were drafted, and a slight surplus of 1.6 million Kč resulted after a reduction of both expenditure and revenue. This equilibrium was only achieved at the expense of considerable cuts in State expenditure. Consideration was not given to fresh sources of income until it was ascertained that no further reduction of expenditure was possibly to cover the Budget deficit and non-Budgetary outlay. Expenditure was reduced by 686 million Kč in respect of the ordinary administrative Budget, and in respect of the State undertakings by 1,062 millions, together a total of 1,748 million Kč, as compared with 1932, and as much as 2,403 millions compared with 1931. The reductions in the salaries and wages of the State employees amounted to 634 million Kč. The Budget claim on the taxes, fees and stamp duties advanced from 1,822 to 2,749 million Kč, mainly because there was added a sum of 700 millions for unemployment pay, and an increase from 800 to 925 in respect of the pay of teachers. The ordinary revenue was estimated at 690 million Kč less than in 1932, for a deficit was anticipated in the case of the railways. Provision was made by the Budget for meeting non-Budgetary expenditure of 950 million Kč, so that actually the revenue was estimated at 325 million more. To meet these passing items of expenditure passing items of revenue were allotted. They were the increased yield from the surcharges on the tax on turnover and luxury tax, from new or augmented sources of income such as the passenger transport tax and motor freight transport tax, the increased duty on motor fuel, increased duties on certain customs items, a higher yield from stamp duties, the yield of the military tax, the tax on electric bulbs and a higher yield of income tax.

These altogether were estimated to produce 705 million Kč. On the other hand it was necessary to anticipate a decline in the yield of certain other items. The total of the National Debt figured at approximately 38,000 million Kč, an increase of 419 millions on the 1932 figure. The State-note debt was reduced by 620 millions. Despite the efforts directed towards economy it became obvious that the Treasury could not avoid a considerable deficit. The unfavourable development of the State finances was caused in the main by a drop in the railway receipts, and a falling away of public receipts through a further decline in economic activities and continued decline in the purchasing power of the population as manifested in the yield of the tax on turnover and excise duties, and finally by the growing outlay on unemployment pay. The State expenditure was reduced by means of a coupon tax and reduction of interest on several fixed-interest-bearing securities. The regular drawings and amortisation of the internal consolidated debt were temporarily suspended. Regulations were issued concerning registration and control of the expected expenditure and revenue for each individual month, so that the State finances could be conducted in harmony with the current state of the Treasury, and for ensuring State supervision over all expenditure. As all these efforts at economy, however, proved, inadequate, it was decided to issue a 5% Employment Loan, the object of which was to raise funds for public capital investment and secure the liquidation of arrears of taxes. The loan was a success and produced over 2,000 million Kč. It was applied in the first place to finance the productive investments of the State undertakings. In addition to that, the Treasury raised further funds by means of short-term loans. A simultaneous decline in revenue caused the situation to deteriorate. While the Estimates had still counted on a surplus of 1.6 million Kč the actual outcome of the year's financial workings was a deficit of 1,703 millions. This deficit was met almost exclusively by credit operations.

#### The Year 1934.

The Estimates for 1934 (the lowest to date) showed reduced expenditure and revenue, and a surplus of slightly over 1 million Kč, and was thus in equilibrium. This balance was achieved by a substantial reduction in ordinary expenditure and in the outgoings of the State undertakings, especially by cuts in the expenditure on personnel. Equilibrium was attained despite the fact that, as in 1933,

the Budget for the year included all expenditure which had formerly been met outside the Budget. On the revenue side due regard was paid to the fact that the yield of taxation and other public charges as well as the receipts of the State undertakings were likely to be less. No new incomings were relied upon that would have still further aggravated the difficulties of the economic situation as a whole. The reduction in expenditure was accounted for by a decline of 159 million Kč in that on personnel and 843 millions on the remaining items. All the material items of administrative expenditure were reduced. The expenditure of the State undertakings was 710 million Kč less than in 1933, and of this sum 163.5 million Kč was accounted for by cuts in outlay on personnel. The receipts of the State undertakings were estimated at 973 million Kč. The development of the State finances in this year was not unaffected by the results of the currency adjustment made by virtue of the Act of Parliament of 17th February 1934 (No. 25 in the Collection of Laws and Decrees) which reduced the gold content of the country's monetary unit. The National Debt rose in 1934 by 590.5 million Kč to a total of 39,367 millions. No fresh long-term loan was contracted in 1934 either at home or abroad, so that short-term operations sufficed. On the other hand, successful steps were taken to consolidate part of the short-term debt by prolongation of the terms of Treasury Bills. An increase of 780 million Kč in External debt was an arithmetical adjustment consequent upon the currency measure. In view of the decline in external debt resulting from the depreciation of the Pound Sterling and the American Dollar, the condition of the Czechoslovak External debt, compared with the condition prior to the devaluation of the Pound and Dollar, was more favourable to the extent of 920 million Kč. As regards effective amortisation, it was mainly external debt that was affected. Internal debt was only affected to the extent that the bonds of the Employment Loan were utilised to pay death and estate duties.

The State-note debt declined by 498.5 million Kč to 2,095 millions, the bulk of this being, of course, accounted for by the actuarial growth in the value of the gold reserves by virtue of the Act of 17th February. The actual Budget deficit according to the final financial accounts was 705 million Kč. Compared with 1933 it is clear that there was less difficulty in raising the required cover. The main cause of the deficit was the fact that the estimates were exceeded on the expenditure side, since the revenue as a whole registered a slight improvement. The State finances thus showed a check in the

retrograde movement which had continued since 1930, and it may be said that the situation showed substantial improvement as against the years when the crisis was at its height.

### The Year 1935.

The Estimates for 1935 showed a surplus of 2 million Kč, and the Budget was thus once again in equilibrium. The expenditure, though higher on the whole, was drafted with the utmost economy in the administrative section as well as in that of the State undertakings, while revenue was estimated on the expectation that the slight improvement in the economic situation would make more rapid progress in 1935, an expectation based among other things on the recent results of foreign trade. The expenditure showed an increase of 352.5 million Kč, of which 135 millions were accounted for by personnel, and the remaining 217.5 millions represented outlay on material. The increase included a sum of 150 million Kč for the purchase of State loans in place of the regular drawings. In the social welfare section there was an increase of 60 millions in expenditure. On the revenue side the main increase was in the yield of the turnover tax. Despite the stabilisation in economic conditions at home which had continued into 1935 from the preceding year, the revenues in the first half of 1935 developed less favourably than in the corresponding period of 1934. It was only in the latter half of the year that a turn for the better set in. The lower yield of the turnover tax is explainable by the fact that the yield in 1934 was abnormally favourable, arising as it did from the taxation of stocks of textile raw materials and goods, and the unusually high supplementary assessments for previous years. In the closing months of the year both public revenue and private incomes showed an improving tendency. It was necessary, however, to allow for the fact that the increased budgetary expenditure in 1935 as against 1934 would not be offset on the other side by an equal increase in revenue, especially as the expenditure had to be further increased to meet the provisions of certain special measures and urgent outlay. The actual deficit shown by the financial workings was 1,656 million Kč, and the newly contracted credits had to be covered by the issue of new bonds, so that the National Debt rose by 1,566 million Kč to a total of 40,933 million Kč. As no long-term loan, either internal or external, was raised in 1935, the whole increase in the National Debt went to swell the short-term inland debt. Regular drawings



of the internal debt were again suspended in 1935, but a sum of 150 million Kč was applied in the purchase of bonds. A beginning was made with the amortisation of the Employment Loan, 100.5 million Kč being devoted to that purpose. The State-note debt declined by a further 47.2 millions.

### The Year 1936.

It was obvious that in drafting the Estimates for 1936 the authorities expected for the coming year a considerable growth in requirements, but realised that expenditure must be kept within the limits of the 1935 Budget, since it was impossible to expect the country to bear further burdens. Any increase of expenditure in one department would have to be met by reductions elsewhere. The Estimates for 1936 showed, in these circumstances, expenditure within 49 million Kč of that of the preceding year's Budget. In addition to this, there was an extraordinary vote of 360 million Kč for national defence purposes. Revenue was estimated at 48 millions higher than in 1935. The Budget thus showed a surplus of slightly over 1 million. In order to achieve this equilibrium it was necessary to carry out a number of measures—in particular to reduce rates of interest on public debt in connection with a solution of the problem of indebtedness, to levy taxes upon certain capital yields, and to make a readjustment of taxation and other public charges. The slow improvement in the economic situation, encouraged by the measures just referred to, manifested itself in a slight betterment in the country's finances. The yield of direct taxation showed improvement, thus bearing witness to a gradual recovery in business activities and production. The improved yield was also contributed to by the efforts put forward to maintain good order in regard to the collection of taxes and arrears. The yield of the turnover and luxury taxes also showed advance, partly as a result of the improvement in the economic situation and partly as a result of several legislative measures. To-day there can no longer be any doubt that the final results for 1936 will be better than those for 1935, and that the actual deficit will be substantially smaller. The National Debt was increased in 1936 by the issue of a National Defence Loan, and of further Treasury Bills. In view of the collapse of the gold bloc it became essential to accommodate the gold content of the currency unit to the new conditions. In this way a new financial and economic foundation was laid for the future development of the country's economy.

During the last few years of the economic depression the State finances suffered from the pressure of unfavourable economic developments as regards both the revenue and expenditure side. The decline in economic activity gradually reduced the material scope of the taxation basis, while simultaneously, and to a still greater extent, the yields and income which were the object of taxation declined, since the financial aspect of the reduction in the material scope of the taxation basis was further emphasised by a drop in the level of prices. In addition to that, the State was faced with abnormal expenditure connected with its social obligations—expenditure upon unemployment. The actual final accounts therefore in these years showed up unfavourably compared with the estimates. At a time of general economic crisis it is difficult to accommodate expenditure to the declining revenue. Many of the State requirements are inelastic, and there are many new needs, especially in the social sphere, which the crisis itself brings with it. Thus the calls on the Treasury during the period of crisis exceeded the limits of normal revenue. The difference between the revenue attainable and the actual requirements had for the most part to be met by the credit operations to which reference has been made above.

The retrograde movement which had commenced in 1930 was checked in 1934, and the situation of the State finances would assuredly have gone on to improve, if it had not been essential for abnormal reasons to increase expenditure. The growth of the National Debt caused by the budgetary deficits during the years of crisis, and the fresh tasks which will arise in connection with essential and increasing expenditure on national defence make it necessary to insist that the State finances shall continue to be based on the principle of equilibrium.

# *Trade Cycle Development in Czechoslovakia in 1926-1936*

By RCDr. MILOŠ HORNA, C.E.

The first ten years of the activity of the National Bank of Czechoslovakia happens to coincide with the period of one of the integral cycles in the economic development of the Republic.

Since the establishment of the Republic in 1918 there have been three such integral cycles in Czechoslovakia:

The first cycle followed the post-War depression of the years 1918-19; the economic upswing of this cycle reached its peak in 1921, and the cycle closed with the depression of the years 1922-23.

The second cycle commenced with the recovery of business conditions in the latter half of 1923; it reached its culminating point at the beginning of 1925, and concluded with the 1926 depression.

While the first two cycles had a common characteristic in a relatively rapid process, the third cycle, which opened with the economic recovery in the latter half of 1926 and concluded with the depression of the years 1932-33 was characterised on the one hand by a prolongation of the individual phases of the process, and on the other hand by the more pronounced dynamic character of its deviations. The upswing in the years 1928-29 had been much more extensive than in the preceding cycles, but the depression that descended upon the country's economy was more pronounced than ever before.

Since 1934 there has been observable a turn for the better in economic activities in Czechoslovakia, and in 1936 this trend became accelerated.

In the year when the National Bank of Czechoslovakia commenced operations (1926) economic development in Czechoslovakia was in a state of depression. At home the primary conditions for the subsequent recovery were in process of formation. The stabilisation crisis resulting from the stable rate of exchange of the Czechoslovak crown since 1923, temporarily suppressed by the economic expansion of the years 1924-25, began to be overcome: in banking, rehabilitation set in after the failure of three medium-sized banks, the State finances began to show balance and consolidation, so that the State loans, in view of the increased liquidity of the money market, tended to appreciate with the result that the effective yield

of gilt-edged securities declined from a level of nearly 8% in 1925 to the standard of 6% at the beginning of the year 1927. Economic conditions became much easier, rates of interest tended downwards, and there was an appreciable increase in the flow of savings into the banks. In foreign trade there was the favourable balance that is typical for Czechoslovakia under a depression, working capital tied up in production and stocks on hand thus returning to the enterprises and bringing relief to the money market.

Czechoslovakia is a country largely dependent upon export trade. Therefore every economic upswing so far has had a revival in exports as its impulse. Abroad, especially in numerous important markets for Czechoslovak output, recovery was already in progress. Thus their import requirements from Czechoslovakia received a stimulus. A particularly strong impulse towards recovery in Europe at that time was the strike of the English miners in 1926, which resulted in English purchases of coal from the Continent.

Thus in Czechoslovakia, too, the closing months of the year 1926 signified the commencement of a period of revival. The money market became strongly liquid, calls for credit upon the Bank of Issue and upon the commercial banks were insignificant, the fiduciary circulation was low, and cheque account balances at the National Bank reached a high level. On the Bourse there was a sharp boom, especially in industrial shares. Production recovered, the labour market improved, the amount of overtime worked was on the increase. The volume of foreign trade grew and the balance of trade was very favourable.

The first upward phase of this cycle concluded about the middle of 1927. It was succeeded by a period of expansion that continued to the end of 1928. In this period the world-wide industrial boom reached its peak, and world trade was very intensive. A reform in the sphere of direct taxation proved a stimulus to undertakings in Czechoslovakia in respect of their yields, while the law relating to stabilisation balance-sheets introduced effective orderliness in the drafting of balance-sheets, and facilitated in particular a renewal of capital investment.

All economic sectors in Czechoslovakia showed at this time symptoms of great activity. In the money market the demand for funds increased, and calls for credit upon the Bank of Issue likewise multiplied. The price level of shares on the Bourse was high and company promotion brisk. Intense employment in the branches of production was reflected in a sharp drop in unemployment. There

was a considerable growth in domestic consumption which was reflected in a sharper rise in imports than in exports, and as a result the favorable balance of trade registered decline.

At the close of 1927 the upswing reached what may be called its first peak in Czechoslovakia, as it did in several other countries of Central Europe. In the first few months of the year 1928 it seemed as if expansion could proceed no further. Then, however, came a fresh impulse, issuing this time exclusively from internal conditions. Taxation facilities in respect of new buildings available for definite periods gave the impulse in 1928 and 1929 to unprecedented building activities, and economic activities received a new and powerful stimulus, mainly in those sections connected directly or indirectly with the building movement. This new impulse resulted in 1928 in an expansion that went even beyond that of the closing months of 1927.

In the first three quarters of the year 1929 the preceding upswing became temporarily stabilised at the peak of activities attained. The first indications began to appear of a break in the upward trend in the form of increasing tension in the money market, a decline in the price of securities on the Bourse, and a downward tendency in wholesale commodity prices.

The collapse on the stock exchanges in the United States of America at the end of 1929 was the signal for a turn in the upward trend in Czechoslovakia too. There were several reasons which paved the way for this.

The special impulse issuing from the building trade expansion at home was exhausted, and difficulties began to make themselves felt in finding markets not only abroad but also, later, at home — first of all on account of the reduced purchasing power of the agricultural population which caused prices steadily to fall, and later through a similar decline in the prices of industrial raw materials and finished goods, as well as, in regard to foreign trade, through the increased competition in foreign markets. The break in prosperity (trend towards crisis) steadily widened, for there was a parallel trend in the other countries, so that Czechoslovakia's own tendency, in view of her close interdependence on international economic development, was thus intensified.

At the beginning of the latter half of 1930, and in the early months of 1931 the downward trend in economic activities in Czechoslovakia slowed up. Early in 1931 indeed it seemed that the previous fall had been checked and that the world was advancing towards

fresh recovery. At this moment, however, the problem of international debts, coupled with a decline of confidence in the credit of the main debtor countries, came sharply to the fore in the sphere of world economy. The impulse to this wave of world distrust came from a whole series of events (the growth of radicalism in Germany after the parliamentary elections in September 1930, the Curtius-Schober plan of an Austro-German customs union of 21st March 1931, and especially the bank failures in Austria and Germany). Even the Hoover one-year moratorium for inter-allied and war debts (20th June 1932) was unable to counteract this blow given to confidence in the world economic sphere.

A fresh break in world economic cooperation occurred on the 21st September 1931 when Great Britain, together with several countries, abandoned the gold standard, and thus brought about changes in the international exchange of goods in countries that did not follow that currency example for the reason that that currency measure upset the competitive price level that had hitherto obtained in the world's markets. Following this, England abandoned the principle of free trade she had hitherto practised, and issued, under powers given to Mr. Runciman, a whole series of tariff amendments.

The measures taken by England accelerated the progress of self-sufficiency and protectionism in many other countries; a veritable race began in the raising of customs barriers and the shutting out of imports, resulting in a growth throughout the world of blocked exchanges and transfer difficulties by which the debtor areas, already adversely affected by the protracted fall in world prices, especially those of raw materials, attempted to prevent themselves from being wholly deprived of exchange. Even Czechoslovakia was compelled at the close of 1931 to introduce exchange restrictions.

The chaos in world foreign trade very sharply affected Czechoslovakia at the point where, from the economic angle, she is most susceptible—in her export trade. The years 1932 and 1933 represent the lowest point in the economic depression in Czechoslovakia. The volume of the country's foreign trade dropped at this time to an unprecedented low level not only as regards value but also as regards quantity. A reflex of this reduced activity was a very sharp growth in unemployment. In all the main sectors of economic activity in Czechoslovakia the years 1932 and 1933 present the picture of extremest depression.

At this time Czechoslovakia was faced with the solution of a problem of specifically currency character. The world appreciation

in gold exerted during the world-wide depression a powerful pressure upon the price level in the individual countries whose currencies were expressed in any manner in terms of gold. The changed world equilibrium between the price of gold and the prices of other commodities and services could be expressed either by a reduction in the internal price level while the gold content of the individual currencies remained unchanged, that is by means of deflation, or by a currency adjustment (by currency devaluation). The majority of countries decided, in view of the difficulties involved in the first course, to settle the problem of currency disparity by devaluing their currencies. Czechoslovakia, too, solved in this manner her own problem of currency disparity by a measure passed in February 1934, devaluing her currency by the amount by which the world process of price deflation had got ahead of the development in Czechoslovakia. It was a principle of the first devaluation of Czechoslovak currency that the devaluation should go only so far as was essential to eliminate the disparity between the purchasing power of the monetary unit at home and its purchasing power abroad. This new linking up with the prices in world trade started in Czechoslovakia a slow recession from the acute depression hitherto suffered, and a new upswing in economic activities. Production revived and, in particular, exports to the world's free markets slightly improved.

In the meantime work proceeded in Czechoslovakia on the drafting of a number of measures designed to support the process of economic restoration and eliminate the consequences of the crisis. In particular numerous steps were taken to ensure the liquidity of the money market, to make cheap credit more easily available for production, and to stimulate efforts to create new capital both by way of savings and directly in enterprise. In the sphere of exchange payments from countries faced with transfer difficulties, efforts were made by means of clearing and other agreements to prevent the "freezing" of Czechoslovak assets in those markets.

The substantial reductions in all rates of interest and cheapening of credit in the money and capital markets which were made early in 1936 brought about fresh possibilities for revival in the domestic market, since they facilitated a considerable increase in building activities after an interval of nearly seven years.

The collapse of the gold bloc currencies in October 1936 was no longer a disturbing economic element for Czechoslovakia in her export sectors. By the new currency adjustment of 10th October

1936 Czechoslovakia merely brought her first percentage of devaluation in 1934 to the devaluation level of the countries of the gold bloc. Moreover, the currency agreement between the three main Powers, subsequently adhered to by other countries, is accompanied by an effort towards gradual removal of all obstacles to world trade, and from this only benefit can accrue — in particular for Czechoslovakia as an exporting country.

The economic situation of Czechoslovakia at the close of 1936 may be stated as follows: economic recovery has attained more tangible forms, the volume of production is rising, not only in view of increased opportunities for export trade, mainly to the free markets, but also of the rising consumption at home. The money market is easy, and increased liquidity is a feature of the capital market. A substantial decline is registered in unemployment. The general economic movement after two years of slow revival (1934 and 1935) is showing acceleration thanks to the brisk building activity recorded in 1936, an activity resulting from fresh legislative facilities, especially in the matter of taxes, for new buildings, etc., as well as from the liquidity of the money market and the lower rates of interest obtaining for credit.

So far a still bigger expansion of economic activity in Czechoslovakia is hindered by the economic and political unrest that prevails throughout the world and especially in Central Europe.



# *The Stock Exchange*

By KAREL BERENTZWILLER.

## DEVELOPMENT OF PRAHA BOURSE 1926-1936.

The stock exchange presents in perspective a picture of the conditions and development of our money market with all the play of events arising in the sphere of home production, trade and banking, of the State finances, and of international policy.

The development of the Praha stock exchange during the first ten years of the activity of the National Bank may be divided into three periods, namely, two periods of upswing from 1926 to 1928 and from 1933 to 1935 respectively, separated by a period of depression which lasted from the end of February 1929 to the end of April 1932, when the total index of stock exchange prices attained, in the first-mentioned two periods its peak, and in the other period its lowest level of the whole ten years.

The Period from 1926 to 1928. The year 1926 was rich in happenings that did not always react favourably upon the development of the stock exchange. Nevertheless the net balance in the level of quotations was on the whole positive, for the movements caused by favourable impulses were more pronounced and more lasting than those of opposite character. After a brief spell of upward movement in January and February 1926 the opposite tendency set in, for hopes of a radical reduction in rates of interest failed at that time to materialise. The issue of a Consolidation Loan met with success, none the less a slightly downward trend persevered until the end of May when the level of quotations began to rise, a tendency which was maintained to the close of the year. The improvement in investment stock prices from 1st January to 31st December was one of 5.7%, and the process of appreciation in this market was one of the outstanding features of 1926. The share market underwent similar development. A recovery which occurred at the beginning of the year gave way towards the end of February to a period of unsteadiness and a fall of prices caused by lack of confidence. The Ministry of Finance was compelled to step in against the bear element, and the volume of business fell away very considerably. In the latter half of the year brisker activity in the heavy industry produced an improvement in the share market, share prices reaching their peak in November. At the end of the year

the level of share prices was 5.2% higher than it had been at the beginning.

The upward trend that started in the second half of 1926 continued almost without a break throughout 1927, and attracted many investors to the stock exchange, so that the volume of business nearly doubled. An abundance of cheap money maintained the favourable tone of the investment stock market, which was also strengthened by the efforts of the Ministry of Finance to avoid contracting any new loans and to pay off existing debt — a course which had also a favourable influence upon the development of rates of interest. The hardening of share prices proceeded apace, thanks to improved employment in the industries, and to the abundance of money, coupled with the beneficial effects of the taxation reform provided for by the law concerning stabilisation balance-sheets. The total investment stock index on the 30th December was 107.362, which was simultaneously the peak figure for the year 1927. After the early, and from time to time interrupted, advance, the index of industrial and transport shares rose to 114.936 in the middle of April. In the following three weeks this movement was particularly accelerated, and the first peak was registered at the beginning of May, when the index reached 133.408. Up to the beginning of August the index was unsteady; and it was not till the middle of that month that a new upward movement set in which lasted unbrokenly to the middle of October, when the index reached its peak for 1927 with the level of 146.456, or an increase of 46.5% on the level registered at the beginning of the year. On the whole, the advance recorded in 1927 was more extensive than that in any subsequent year, and may be characterised as follows: All State loans carrying 6% interest reached parity or were quoted above it, and the weighted yield of State loans declined from 6.379% to 5.693%. In the share market the aggregate value of all shares quoted on the Bourse rose from 6200 million Kč to 9500 millions.

In 1928 the upward tendency in the share market that had characterised the year 1927 fell off, and gave way to the more irregular trend that marked the investment stock market. Praha Bourse held an intermediate place between the New York stock exchange with its definitely upward trend resulting from an economic expansion due to a broad-based policy of cheap money, and the Western European stock exchanges with their slightly downward tendency. The total index at Praha closed the year with an inconsiderable advance of 2.7%, the index of industrial and transport shares rising

by 3.4% and that of fixed-interest-bearing securities dropping by 1.3%. The development on the share market was at first adversely affected by wage conflicts in the coal mines and by the difficulties of the sugar refineries caused by the tariff measures taken by England. At the commencement of the year the index of industrial and transport shares registered a very brief New-Year rise. From the middle of January to the end of June the development of the index was irregular, downward movements predominating. In July a turn of the tide set in; the previous losses were made good and the index had attained by the close of the year a higher level than at the same period in the preceding year (151.478 compared with 146.456 on the 30th December 1927), after having registered the peak figure of 153.249 on the 30th November.

**The Period of 1929-1932.** In the year 1929 the general stock exchange conditions were unfavourable, and the majority of exchanges suffered from more or less violent downward swings. Praha Bourse was less affected than others by the New York panic, but the worsening in the tendency was none the less considerable, especially in the share market. Easy conditions in the money market and the favourable balance-sheets published by the banks and industrial concerns helped to maintain a favourable trend in the share market at the beginning of the year, after which an irregular tendency obtained, lasting on into the Autumn. The first symptoms of a crisis in home agriculture coupled with the unfavourable development in world economic activities caused a deterioration in the tone of the market and evoked a downward trend that continued to the end of the year. The easy money conditions of the first months of the year were soon succeeded by an upward tendency in rates of interest in the private market — a movement that did not remain without influence upon the development of investment stock prices, the index of which declined nearly throughout the whole year. From 105.517 on 28th December 1928 the total index of investment stock dropped to 103.566 as of 27th December 1929, a decline of 1.3%. The index of industrial and transport shares at first declined, but this trend was interrupted in February by a short period of boom, when the index reached a peak never afterwards attained (155.514 on 22nd February). From that date there ensued an almost unbroken decline. Particularly in the last four months of the year the downward trend was very pronounced, so that on the 27th of December the index was only 127.992, a decline of 15.5% compared with the close of 1928. The volume of business on the stock ex-

change was only slightly below the level of the preceding year as a result of big expansion in options.

In the year 1930 stock exchange depression was intensified in the majority of countries, for unrest in the international political situation was added to the specific causes for the depression in the individual countries. Developments at Praha were characterised by a complete diversity in the tendencies in the investment stock and share markets respectively. The change in conditions in the money market called forth a rise in investment stock prices which, apart from that, benefited from a relatively big influx of available funds, since speculation had transferred its activities in part to the investment stock market in view of the worsened conditions obtaining in the share market. The index of investment stock prices, which on 27th December 1929 had been 103.566, reached 107.507 on 23rd December 1930, an advance of 3.9%. In the Spring months the proposal to increase the tax on earnings, the decline of employment in the industries, and echoes of a tariff war with Hungary, coupled with the agricultural crisis, affected the share market, caused further deterioration in the weak tendency of share prices, and provoked selling by holders. The unfriendly tone of the market was aggravated by the decline in the prices of raw materials in the world markets, and the unfavourable atmosphere in the sphere of international politics. The index of industrial and transport shares which had been 127.992 on the 27th December 1929 closed the year in 1930 at the level of 103.694, a drop of 18.9%.

The year 1931 was marked by a considerable aggravation of the world crisis. The economic depression was intensified in the countries which it had already reached, and appeared in those which had so far been spared it. The year saw the collapse of the Austrian Credit-Anstalt and the Darmstädter und Nationalbank. In this year, too, England abandoned the gold standard. Political tension, economic stagnation and a certain mass psychosis all contributed to an intensification of the general stock exchange depression. For the Praha Bourse 1931 was the year of sharpest decline throughout the whole period of crisis. This was reflected in the development of the total index of all Bourse quotations which dropped by 21.6%, especially under the influence of the trend of industrial and transport share prices. In the investment stock market the high price level was maintained in the first half of the year thanks to the liquidity of the money market, and the Czechoslovak market was long spared the effects of the financial dislocations which had paralysed the

normal operations of the world's markets. In Autumn, as a consequence of the worsened conditions in the money market, sales of investment stock assumed bigger proportions and the intervention Consortium which had hitherto successfully regulated the market was unable to preserve the 6% standard of interest in view of the rising tendency in rates of interest. The share market, even if it underwent no deroute such as was suffered in many other countries, was profoundly affected by the unfavourable trend of political and economic events abroad. In the first quarter of the year the estimates of unreduced dividends and prospects of increased productive investment by the State out of the yield of the new Investment Loan introduced an improved tendency, and the index of industrial and transport shares temporarily advanced. In May the events centering round the Austrian Credit-Anstalt produced a change in the tendency, and the index for the first time dropped below the parity point of 3rd January 1927. After the brief, so-called Hoover period, the downward trend continued at accelerated speed. The poorer prospects for the export industries as a consequence of the depreciation of the Pound sterling, and difficulties in obtaining transfers of assets from certain Central European countries had an unfavourable effect upon the development of stock exchange prices for the remainder of the year, so that the index of industrial and transport shares dropped by 31st December 1931 to 77.607, compared with 103.594 at the end of December 1930, a decline of 25.1%. The total volume of stock exchange transactions in 1931 was larger than in the two preceding years.

Compared with 1931, the year 1932 was a much quieter period for the Praha stock exchange, and the market of industrial and transport shares showed on the whole a relatively more stable tendency. As a result, the total index of the Praha Bourse which was 82.579 at the close of December 1931 fell only to 79.882 at the close of December 1932, that is, by no more than 3.2%, after having attained towards the end of September a level of 83.790. The unfavourable situation of the money and capital market did not remain without influence on the tone of the investment stock market where the downward tendency registered in the previous year continued. This trend was aggravated by the fact that the improvement which occurred in the share market prompted speculators to liquidate their holdings of gilt edged stock. The index of investment stock showed at the outset a steady downward tendency, and this continued throughout the first half of the year. From

101.199 at the close of December 1931 the index dropped below 100 (99.660) in the middle of March, and, continuing the decline, reached the lowest level recorded in the year about the middle of June with the figure of 92.410. In the period from July to October the index hardened appreciably to 97.626, but again weakened in the last quarter of the year and finished at 95.957, that is, 5.1% lower than the level recorded at the end of December 1931. The market of industrial and transport shares had a brief New-Year spell of upswing, after which a weak tendency set in, and at the end of April the index of these shares was 64.789, the lowest level ever recorded. In June the share market, under the influence of the reparations conference at Lausanne, appreciably improved, a tendency strengthened by the success of extensive conversions in England and France, so that the index gradually recovered to 80.568 at the end of September. In the last quarter the index lost a portion of this gain and finished the year at 75.807, that is, a level only slightly lower (by 2.3%) than the level registered at the close of December 1931.

**The Period from 1933 to 1935.** After the period of stock exchange decline which had lasted approximately from 1929 to 1932 there now followed a period of recovery, the onset of which may be placed at the end of the first quarter as far as the share market is concerned, whereas the recovery in the investment stock market did not set in till later. The rise in share prices, however, was considerable enough to raise the total Bourse index at Prague, so that we must include the year 1933 in this new period of expansion in stock exchange activities.

The world economic situation in 1933 was dominated by political events of far-reaching character, and the accession of Hitler to power in Germany and Roosevelt in the United States, the failure of the disarmament conference and the withdrawal of Germany from the League of Nations had a profound influence also upon developments in subsequent years. In the economic sphere the main events in 1931 were the world economic conference in London and the abandonment of the gold standard by the United States.

As was the case in several other countries, a certain improvement as against previous years was registered in 1933 on the Prague stock exchange, and found expression in a rise in the total index of quotations from 79.882 as of 30th December 1932 to 83.625 as of 29th December 1933, after having reached the level of 89.934 at the beginning of September. The improvement was thus one of

4.9% on the figure for the preceding year. In the investment stock market the development at the commencement of the year was first favourably influenced by the smooth prolongation of Treasury Bills, as a consequence of which the index of gilt-edged securities rose temporarily above 100 while the total investment stock index advanced from 95.957 at the end of December 1932 to 97.234 in the middle of February 1933. The issue of the Employment Loan awoke no great echo in respect of price development, and prices only began to fall after the coupon tax came into force. At the beginning of April quotations began to fall away, and after short interruptions at the end of June and again in September the decline continued practically to the close of the year. It reduced the total investment stock index to 90.090, that is, to a level which was the lowest not only for the year 1933, but also for the whole period of 1926-1935 that we are reviewing. The development of the investment stock market was adversely affected by the depression in the capital market as well as by the steadily increasing popularity of Treasury Bills which present an advantage over long-term securities in that they are realisable at any moment. In the share market the weak tendency of the end of 1932 was maintained in the first quarter of 1933, since international politics and world economic conditions gave no stimulus to a turn for the better. Thus the index of industrial and transport shares declined first of all from 75.807 as of 30th December 1932 to 72.763 as of 31st March 1933. Prospects of a revival of capital investment activities in connection with the Employment Loan as well as the hopes placed in the world economic conference in London evoked a rise in share prices in April which continued into the Summer. After a short period of relative stability a second upward movement set in, caused by reports of an improving economic situation in several oversea countries, and on 1st September the index reached its peak for the year with 89.059. In the last quarter of 1933 uncertainty in the international currency situation and internal difficulties of a financial nature which the Government met with in pursuing a deflation policy provoked a gradual decline in prices, but the index none the less closed the year at 81.841, that is, 8.2% above the level recorded at the end of 1932. The volume of business was much the same as in the year 1932, but, like that, the lowest recorded in the period from 1926 to 1935. Compared with previous years, when the main aim had been a reasonable yield, the most weight in 1933 was laid upon the "substantial" value of shares.

The international political atmosphere which had been so greatly disturbed in 1933 found no tranquility in 1934. To the difficulties of international character there were added the internal disorders in France, Spain and Austria. Currency discussions in the gold bloc countries together with the universal rivalry in armaments provided the main stimulus for stock exchange development, alongside the special factors whose influence was limited to particular countries. On the Prague Bourse the improvement registered in 1933 was continued and intensified in 1934, the favourable tendency displayed by the share market spreading to the investment stock market. The total index of all quotations rose at the outset from 83.625 as of 29th December 1933 to 90.718 as of 9th February 1934. In March the index was stabilised round about 90. From April to October prices weakened, particularly so at the beginning of Summer, and the lowest point of the year was reached in the middle of June when the index stood at 85.401. In the last quarter of the year the total stock exchange index approached the Spring level and finished the year at 90.049 as of 28th December, thus showing an improvement of 7.7% compared with the end of December 1933. The establishment of a Czechoslovak Rediscount and Lombard Institute, later supplemented by an intervention consortium, marked the commencement of a fresh process of price appreciation in the investment stock market which was at the same time encouraged by the notable liquidity of the money market. The introduction of Bourse advances on State loans contributed to a restoration of the negotiability of these securities which thus regained the confidence of the public. Finally, the conscription of foreign securities which was carried out in the Autumn brought fresh available funds into the investment stock market, and the volume of business there doubled compared with 1933. The outstanding event of 1934 in the investment stock market was the hardening of the prices of gilt-edged securities, the index of which advanced from 83.727 at the end of December 1933 to 94.589 at the close of December 1934, that is, by 13%. The total investment stock index at the same time moved up from 90.090 to 94.615, or by 5%. The share market registered a movement parallel with that of the investment stock market, and this was one of the characteristic features of stock exchange development generally in 1934. At the beginning of the year preparations for the currency measure which was effected in February evoked a rising tendency in all sectors, and this trend in the share market was further stimu-



lated by the first dividend declarations. The index of industrial and transport shares rose from the end of December to the beginning of February from 81.841 to 90.328. This favourable tone of the market held throughout March, but in April a decline set in which lasted through the Spring, and the index dropped at the beginning of June to its lowest point for the year, namely, to 83.192. In the Summer months market conditions remained relatively quiet, and the index moved round 84. In Autumn, consequent upon the conscription of foreign securities and the prosperous conditions in the armaments industry, a new upward movement set in which gradually brought the index to the level of 89.130 on 28th December, that is, to a level 8.9% higher than at the close of December 1934.

The influences affecting the development of the world's stock exchanges in 1934 did not cease to make themselves felt even in 1935. International political tension was further complicated by the Anglo-Italian conflict in the matter of Abyssinia and thus gave a fresh stimulus to the activity in armaments. In the sphere of currency the devaluation of the Belgian franc seriously affected the gold bloc, and at the same time emphasized the isolation of those countries that remained faithful to the classic gold standard, while their currencies were exposed to repeated onslaughts by the speculating elements in the international exchange markets.

In Czechoslovakia the upward development that began in 1933 continued with one or two brief intervals, and the total index of the Praha Bourse rose from 90.049 recorded at the close of 1934 to 105.309 at the end of 1935, that is, by 16.9%. In the investment stock market the upward trend of the year 1934 was continued into 1935, thanks to the atmosphere of confidence created by the activities of the Rediscount Institute and the successful conversion of 5% Treasury Bills to a 4.5% category. The total investment stock index rose first from 94.615 as of 28th December 1934 to 96.224 at the close of March 1935, the index of Government stock rising steadily through this period from 94.589 to 98.087. In the second quarter of 1935 the speculating elements liquidated their position in investment stock, the total index of which moved round about 96, but the State loans remained very firm, and at the end of June their index passed the 100 mark which it had last registered in February 1932. In the Summer months a fresh advance set in, as a result of which the index reached its peak for the year at the beginning of September with 98.564. The deterioration in the international situation coupled with

the opening of hostilities in East Africa caused a change of tendency in the final quarter of 1935, and the total index of investment stock weakened slightly to close the year at 98.193, that is, only 3.8% higher than the level at the close of December 1934.

The improvement which began in the investment stock market after the establishment of the Rediscount Institute and the carrying out of various measures for a reorganisation of the market is well illustrated by the development of the weighted yield of Government stock. This yield dropped from 6.23% on 29th December 1933 to 5.47% on 28th December 1934, and again to 5.084% on 27th December 1935.

In the share market the first quarter of 1935 manifested an irregular development, with if anything a slightly downward trend, the outcome, among other things, of the very irregular movements of sterling during the period of Belgian devaluation. In the Spring months the relation in the international political situation after the Stresa resolutions and the Franco-Russian rapprochement, coupled with favourable prospects of dividends to be paid by some of the big industrial concerns at home, evoked a turn in the tendency. The index of industrial and transport shares had previously weakened (from 89.130 on 28th December 1934 to 86.669 on 29th March 1935) but now at the end of May recovered to 90.377. The prosperous conditions in the armaments industry, benefiting by the Italo-Abyssinian conflict, brought about fresh recovery in the share market during the Summer months, and this recovery, after a short break in September, continued to the close of the year 1935. The index of industrial and transport shares at the end of August reached the parity level of 3rd January 1927 = 100, then followed a short period of irregularity, but from the middle of October a new and uninterrupted upward trend set in. The balanced Budget, prospects of a favourable building season in the coming year and the undeniable indications that the economic crisis was receding encouraged at home an atmosphere favourable to stock exchange prices. The year 1935 concluded with an industrial and transport index of 108.333, that is, an increase of 21.5% on the level recorded at the close of 1934. The volume of stock exchange business in 1935 trebled as against 1934, and approached that of the year 1929.

In 1936 political events again exercised great influence upon stock exchange development, but in the latter half of the year the economic upswing and other impulses from business activities played a con-

siderable rôle. In Czechoslovakia the slightly upward trend in investment stock continued, and a sharp hardening of prices was a feature of the dividend market. The total stock exchange index at Praha rose from 105.309 to 147.875, that is, by 40.4%.

In the investment stock market the general tendency was quiet and steady. At the commencement of the year the prices of Government stock showed some advance, following an adjustment of rates of interest and reduction of the interest on the State and other public debt. As early as February, however, speculation transferred its activities to the share market, where the promises of gains were considerable, and a period of quiet ensued in the investment stock which lasted nearly the whole year. In June and July, it is true, relatively more material came into the market in connection with the issue at that time of the National Defence Loan, and in the Autumn business revived somewhat after the technical steps towards unification of internal debt had been begun, but otherwise the development was quiet with a slight upward trend. This found expression in the movement of the total index of investment stock which rose from 98.193 on 27th December 1935 to 100.715 on 31st December 1936. The weighted yield of Government stock declined gradually from 5.084% as of 27th December 1935 to as low as 4.433% at the end of September; after the exchange of old securities for the new Unification bonds the yield rose from purely technical causes to 4.502%, and became stabilised at 4.499%, at which level it closed the year.

A sharp upward tendency which at times had the character of boomlike waves marked the development of the share market. In the first half of the year the optimistic tone of the market was based on political and currency uncertainty; in the latter half of the year there were added the favourable reports that kept coming in concerning economic activities both at home and abroad. In addition to these main impulses there were other special and psychological moments, such as the effort to invest in "substantial" values, the relatively restricted market in certain securities, and so on. The index of industrial and transport shares rose from 108.333 on 27th December 1935 to 163.285 on 31st December 1936, an advance of 50.7%, and reached a peak never previously attained. This general upward trend suffered its first appreciable break in May, when the events in Abyssinia, the accession to office of a Left Government in France, and the political crisis in Austria created favourable

conditions for the bear element. After a short recovery the index weakened again in June, this time as a consequence of uncertainty as to the fate of the franc and of internal political happenings in France, the reaction of which on the tone of the market proved stronger than the influence of various favourable impulses of purely economic character. For a third and last time the upward trend in the share market was interrupted in October during the period when events out of the ordinary were taking place in the monetary sphere in numerous countries as well as in Czechoslovakia. In the last two months of the year the upward movement was more marked than ever. In that short period the index rose by 23.6% compared with the rise of 22% which had occurred in the preceding 10 months.

## CZECHOSLOVAK BALANCE OF PAYMENT IN 1925-1935 (in million Kč)

Items	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913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JOSEF METLICKA  
&  
MILOSLAV ZELENKA, C. E.

DIAGRAMS AND STATISTICS  
ILLUSTRATING  
THE ECONOMIC DEVELOPMENT  
OF CZECHOSLOVAKIA





# DEVELOPMENT OF THE RATE OF THE CZECHOSLOVAK CROWN ON FOREIGN EXCHANGES IN 1919—1936.

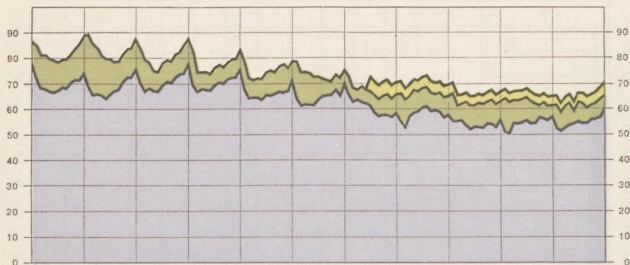
The Curve shows the monthly maxima and minima of the quotations of the Kč from March 1919 on the Zurich Stock Exchange, and from October 1936 on the London Stock Exchange.



Scale in Swiss gold cents of pre-War parity.

# THE FIDUCIARY CIRCULATION AND ITS COVER ACCORDING TO THE RETURNS OF THE NATIONAL BANK OF CZECHOSLOVAKIA in the period of 1926 – 1936. (Monthly Average of Weekly Returns)

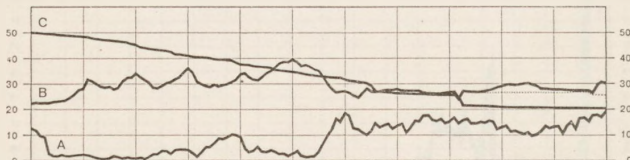
I. Development of absolute total of bank-note circulation (blue area) plus cheque account balances and creditors' other claims payable at sight (green area) together with (for continuity of development) the circulation of small paper money (Kc 10 and Kc 20 notes) which, under Act No. 94 of the year 1932, are not included in the bank-note circulation (yellow area).



In million Kc (000's omitted).

In million Kc (000's omitted).

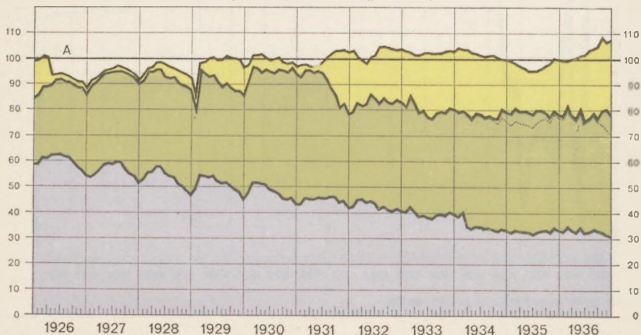
II. Absolute development of credit transactions (A), stocks of precious metals, assets abroad and stocks of exchange (B), and balance of State-note debt (C). Under Act No. 25 of 1934 the „circulation cover” from 17th February is composed solely of gold coin or bullion. For the sake of continuity with preceding years the diagram disregards this change. The dotted line merely indicates the extent to which curve B would be lowered if regard were paid to the change.



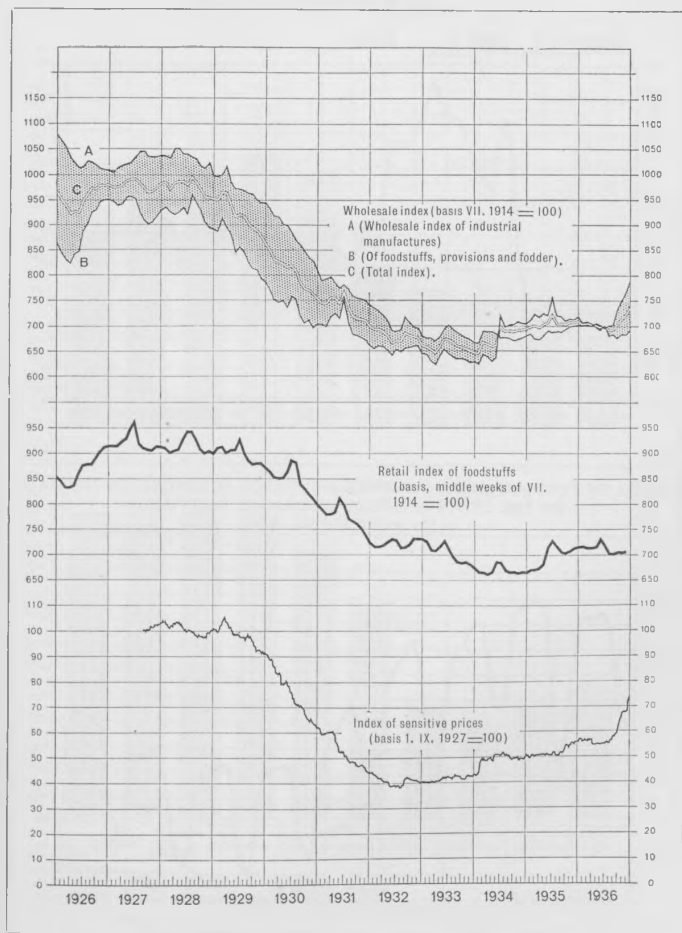
In million Kc (000's omitted).

In million Kc (000's omitted).

III. Scale of percentual cover of bank-notes, current account balances and claims of creditors payable at sight (Line A 100) with balance of State-note debt (blue area), stocks of precious metals, assets abroad and stocks of exchange (green area), and credit transactions (yellow area).



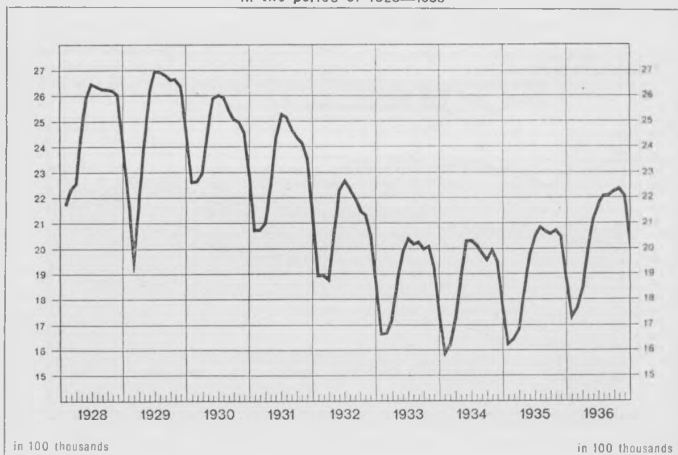
THE LEVEL OF PRICES IN CZECHOSLOVAKIA IN THE LIGHT OF NOMINAL INDICES  
in the period 1929—1936.



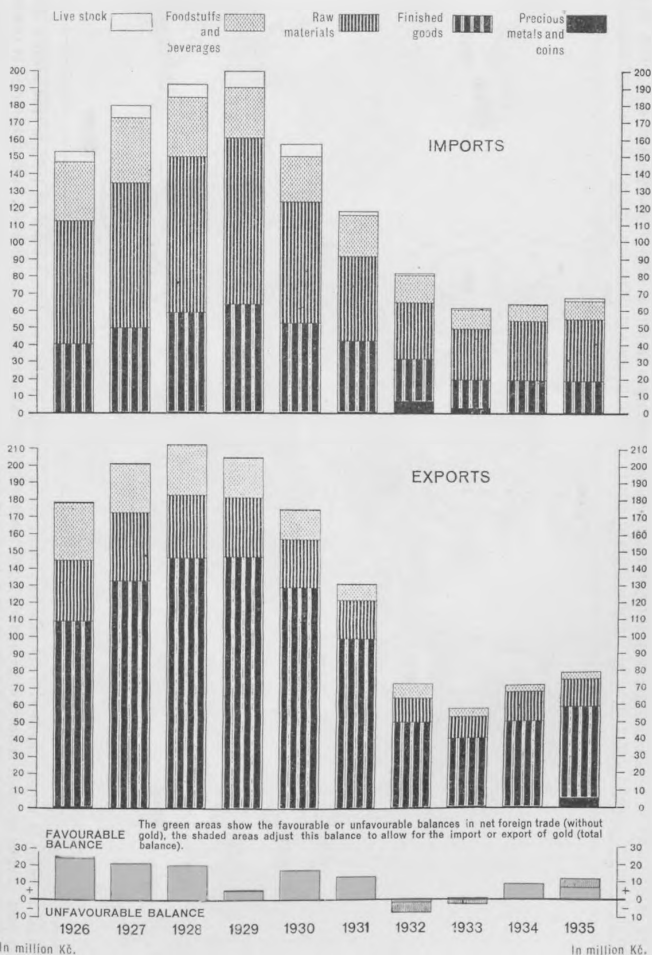
DEVELOPMENT OF THE WEIGHTED YIELD OF GOVERNMENT LOANS ACCORDING  
TO THEIR QUOTATIONS ON THE PRAGUE STOCK EXCHANGE  
in the period of 1919—1936  
(monthly average of the weekly Friday returns)



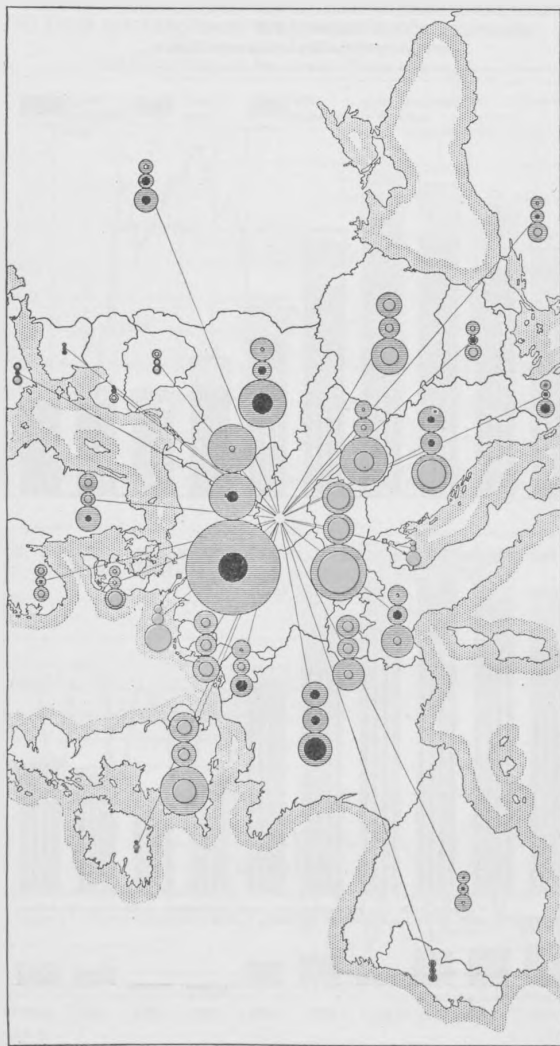
NUMBER OF PERSONS UNDER SICKNESS INSURANCE ACCORDING TO THE DATA  
OF THE CENTRAL SOCIAL INSURANCE INSTITUTE  
in the period of 1928—1936



THE DEVELOPMENT OF CZECHOSLOVAKIA'S FOREIGN TRADE  
in the period of 1926—1936.  
(According to the Brussels nomenclature).

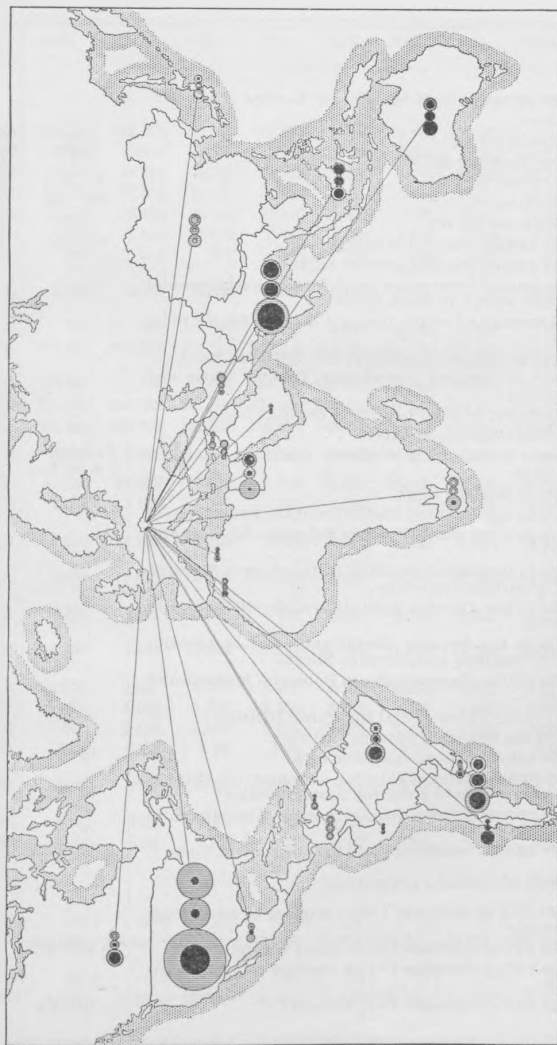


ANALYSIS OF CZECHOSLOVAKIA'S FOREIGN TRADE (ACCORDING TO VALUE) WITH INDIVIDUAL EUROPEAN COUNTRIES  
in the years 1929, 1933 and 1935. Imports according to country of origin in every case.



Total turnover in foreign trade with the relative country (outer circles), in the year 1929 (circles at left), in 1933 (centre circles), and in 1935 (circles at right). Balance of Czechoslovakia's trade with the relative country (inner circles), balance in favour of Czechoslovakia (blue circles), balance adverse to Czechoslovakia (black circles).

ANALYSIS OF CZECHOSLOVAKIA'S FOREIGN TRADE (ACCORDING TO VALUE) WITH COUNTRIES OUTSIDE EUROPE  
in the years 1929, 1933 and 1935. Imports in every case according to country of origin.



Total turnover in foreign trade with the relative country (outer circles), in the year 1929 (circles at left), in 1933 (centre circles), and in 1935 (circles at right). Balance of Czechoslovakia's trade with the relative country (inner circles), balance in favour of Czechoslovakia (blue circles), balance adverse to Czechoslovakia (black circles).

		1926
Average annual rate of the Kč on foreign Stock Exchanges:		
in London per Lst. . . . .	Kč	163'985
in New York per Kč 100 . . . . .	\$	2'9625
in Paris per Kč 100 . . . . .	Fr. frs.	92'955
at Zurich per Kč 100 . . . . .	Sw. frs.	15'337
in Berlin per Kč 100 . . . . .	RM	12'441
Average annual bank-note circulation . . . . .	mil. Kč	6.952
Average annual current account balances . . . . .	"	1.255
Average annual reserves of gold, foreign exchange and currency shown in Bank Return . . . . .	"	2.404
Annual average of credit transactions of the National Bank . . . . .	"	408
Turnover of cheque accounts at the National Bank . . . . .	"	227.271
Turnover of clearing associations, Prague, Brno and Bratislava . . . . .	"	81.947
Total turnover of the Post Office Savings Bank . . . . .	"	182.043
including: cheque transfers . . . . .	"	115.492
Long-term loans of the Banking Institutes of the Provinces . . . . .	{ end of year in mil. Kč.	3.065
Deposits in Savings Bank . . . . .	"	13.772
Deposits in the Banking Institutes of the Provinces . . . . .	"	956
Deposits in joint-stock banks in Bohemia, Moravia and Silesia . . . . .	"	8.022
Deposits in joint-stock banking institutions in Slovakia and Carpathian Ruthenia . . . . .	"	2.358
Deposits in the District Agricultural Credit banks in Bohemia . . . . .	"	2.676
Deposits in the Peoples' Credit and Savings Associations in Bohemia and Moravia-Silesia . . . . .	"	8.268
Deposits in the »Kampeličky« in Bohemia, Moravia and Silesia . . . . .	"	3.906
Funds of the Central Social Insurance Institute . . . . .	"	152
Funds of the General Pensions Institute . . . . .	"	1.143
Average annual official discount rate . . . . .	in %	5'93
Average annual official rate for advances on Czechoslovak Government stock for first 3 months . . . . .	in %	6'93
Average annual private discount rate on 3 months commercial bills . . . . .	in %	5'72
Average annual weighted yield of Government loans . . . . .	in %	7'17
Net result of company promotion:		
Increase (+) or decrease (—) in number of joint-stock companies . . . . .		"
Increase (+) or decrease (—) in share capital . . . . .	in 1000 Kč	"
Increase (+) or decrease (—) in limited liability companies . . . . .		"
Increase (+) or decrease (—) in capital . . . . .	in 1000 Kč	"



# MARKET

1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
164'052	164'197	164'014	164'019	153'072	118'319	111'765	119'031	117'847	124'626
2'963	2'964	2'9614	2'965	2'962	2'963	3'820	4'248	4'168	4'014
75'535	75'634	75'704	75'550	75'548	75'421	75'742	64'462	63'124	65'813
15'382	15'387	15'359	15'294	15'264	15'257	15'349	13'138	12'808	13'382
12'464	12'417	12'433	12'425	12'446	12'475	12'493	10'692	10'339	9'948
6.859	7.078	7.022	6.628	6.469	6'058	5.820	5.418	5.489	5.491
1.432	956	744	871	873	653	826	859	820	693
3.030	3.126	3.053	3.516	3.267	2.688	2.671	2.716	2.913	2.805
114	286	668	388	771	1.310	1.517	1.493	1.165	1.540
240.221	250.232	260.312	244.714	244.429	214.391	191.328	174.249	181.078	212.403
94.241	110.761	101.716	81.869	81.150	92.077	56.044	51.671	55.908	85.700
207.367	234.566	244.932	241.894	234'064	239.764	221.407	218.176	234.698	.
134.942	157.113	165.105	164.364	158.612	168.071	159.026	159.590	176.003	.
3.310	3.999	4.511	4.938	5.739	6.049	6.107	6.058	6.328	.
15.497	17.030	18.033	19.655	21.742	21.905	20.639	20.620	21.325	.
1.038	1.059	1.137	1.263	1.745	1.992	1.914	1.881	1.879	.
8.154	8.322	8.989	9.599	9.095	8.761	8.328	8.510	8.815	.
2.661	2.855	3.028	3.173	2.922	2.645	2.318	2.288	2.355	.
3.011	3.314	3.641	4.040	4'326	4.321	4.215	4.302	4.317	.
9.858	10.360	11.150	12.246	12.814	12.539	11.919	11.993	12.310	.
4.185	4.572	4.941	5.283	5.407	5.197	4.953	4.882	4.951	.
779	1.489	2.103	2.898	3.354	3.973	4.328	4.857	5.386	.
1.396	1.941	2.416	2.862	3.315	3.632	3.890	4.068	4.282	.
5'09	5'00	5'00	4'44	4'80	5'15	3'56	3'50	3'50	3'00
6'09	6'00	6'00	5'70	5'72	6'51	5'53	5'03	4'81	4'25
4'83	4'87	5'01	4'37	4'87	5'08	4'—	4'—	4'—	3'54
5'84	5'72	5'76	5'68	5'76	6'50	6'02	5'82	5'21	4'45
+ 24	+ 20	+ 38	+ 21	+ 13	+ 9	0+	10+	5+	16
+ 50,108	+ 279,996	+ 334,817	+ 273,532	+ 248,026	- 52,451	+ 34,345	- 34,004	- 255,786	- 33,347
- 1	+ 26	+ 1	+ 2	+ 35	0+	5+	18+	28-	43
- 17,721	- 8,235	- 9,315	+ 29,738	+ 26,255	+ 17,220	+ 10,065	+ 11,429	+ 15,199	- 24,549

QUARTERLY BALANCES OF THE JOINT-STOCK BANKS  
to 30th IX. of the years

	30 IX 1926	30 IX 1927	30 IX 1928	30 IX 1929
<b>Assets:</b>				
Cash and money at call . . . . .	1.596,248	1.639,505	1.802,057	1.582,441
Foreign bills, payments and cheques . . . . .	301,405	310,027	429,847	389,595
Bills . . . . .	2.650,562	2.450,389	2.314,950	2.387,810
Securities . . . . .	1.987,064	2.824,227	2.919,169	2.726,330
Participation . . . . .	582,617	843,201	921,012	1.011,815
Debtors . . . . .	17.006,583	17.369,002	18.856,455	20.449,823
Other assets . . . . .	1.262,923	1.371,603	1.200,011	1.330,501
<b>Total assets . . . . .</b>	<b>25.387,402</b>	<b>26.807,954</b>	<b>28.443,501</b>	<b>29.878,315</b>
<b>Liabilities:</b>				
Share capital . . . . .	1.856,000	1.856,000	1.801,500	1.925,500
Reserve funds . . . . .	998,903	1.202,246	1.258,274	1.495,918
Special funds . . . . .	135,941	147,623	162,397	175,551
Deposits . . . . .	7.692,778	8.035,908	8.004,529	8.728,834
Creditors . . . . .	13.407,117	14.162,969	15.734,890	16.039,815
Other liabilities . . . . .	1.296,663	1.403,208	1.481,911	1.512,697
<b>Total liabilities . . . . .</b>	<b>25.387,402</b>	<b>26.807,954</b>	<b>28.443,501</b>	<b>29.878,315</b>

THE STATE

		1926	1927
<b>Budgetary Accounts</b>			
<b>Administrative Budget:</b>			
Expenditure . . . . .	in million Kč	11.729	10.583
Revenue . . . . .	„	11.468	10.987
Surplus + or — deficit . . . . .	„	— 261	+ 404
National Debt on 31st December each year . . . . .	„	27.784	27.776
 <b>Gross yield of taxation . . . . .</b>			
1. Gross yield of direct taxes . . . . .	„	2.495	2.546
2. Gross yield of tax on turnover and luxury tax . . . . .	„	1.934	2.102
3. Gross yield of customs duties . . . . .	„	1.010	1.400
4. Gross yield of excise duties . . . . .	„	1.424	1.785
5. Gross yield of stamp duties . . . . .	„	1.692	1.880
Net yield of monopolies . . . . .	„	1.398	1.434
Arrears of taxes, duties, etc. at the close of the fi- nancial year . . . . .	„	6.795	5.827

# IN BOHEMIA AND MORAVIA-SILESIA

1926 to 1936 (in thousand Kč)

30 IX 1930	30 IX 1931	30 IX 1932	30 IX 1933	30 IX 1934	30 IX 1935	30 IX 1936
1.944,993	1.467,767	1.722,063	1.914,704	2.091,206	2.531,094	2.311,881
517,978	285,514	60,664	34,483	32,446	31,135	32,906
2.677,333	2.047,769	2.176,989	1.981,097	1.863,742	2.183,559	2.347,315
2.932,565	2.869,693	2.959,222	3.131,204	2.900,310	3.287,365	3.477,526
1.079,444	1.109,495	818,902	817,001	801,310	816,326	808,926
19.740,372	19.473,057	15.121,799	13.732,697	13.794,002	13.368,833	13.443,645
1.476,227	1.501,865	1.599,938	1.567,560	1.609,223	1.696,887	1.735,296
30.368,912	28.755,160	24.459,577	23.178,746	23.092,239	23.915,199	24.157,495
1.865,500	1.865,500	1.329,600	1.311,100	1.309,600	1.309,600	1.269,700
1.511,434	1.588,460	966,685	933,145	938,524	940,923	863,290
192,948	207,067	212,179	256,050	254,099	269,497	273,151
9.527,711	9.258,924	8.686,861	8.242,135	8.304,126	8.636,386	8.782,614
15.973,613	14.387,789	12.026,757	11.360,894	11.142,176	11.727,125	11.796,139
1.297,706	1.447,420	1.237,495	1.075,422	1.143,714	1.031,668	1.172,601
30.368,912	28.755,160	24.459,577	23.178,746	23.092,239	23.915,199	24.157,495

## FINANCES

1928	1929	1930	1931	1932	1933	1934	1935	1936
11.019	10.275	9.928	12.260	10.258	9.588	8.880	10.098	.
10.907	10.404	9.645	9.133	8.368	7.379	7.492	7.054	.
— 112	+ 169	— 283	— 3.127	— 1.890	— 2.209	— 1.388	— 3.044	.
28.327	32.670	33.354	34.654	35.437	37.325	38.151	39.924	.
9.807	9.873	9.461	9.544	9.233	8.702	8.755	8.567	.
1.971	2.032	1.893	1.771	2.067	1.855	1.719	1.763	.
2.342	2.346	2.358	2.223	2.230	2.312	2.391	2.313	.
1.503	1.430	1.239	1.331	879	651	667	674	.
1.887	1.941	1.891	2.173	2.122	2.018	1.999	1.987	.
2.104	2.125	2.079	2.046	1.935	1.866	1.979	1.830	.
1.250	1.456	1.423	1.313	1.434	1.355	1.336	1.265	.
5.079	4.776	4.720	4.669	4.777	4.822	4.797	4.611	.

# AGRICULTURE AND

		1926	1927
Area :	in 1000 ha		
wheat . . . . .		623,6	748,0
rye . . . . .		831,4	987,5
barley . . . . .		708,6	706,5
oats . . . . .		842,8	837,7
potatoes . . . . .		627,8	716,7
sugarbeet . . . . .		271,4	288,0
Total yield:	in 1000 q		
wheat . . . . .		9,291	12,849
rye . . . . .		11,661	15,235
barley . . . . .		11,431	12,771
oats . . . . .		13,799	14,283
potatoes . . . . .		50,467	100,741
sugarbeet . . . . .		65,991	79,589
Vineyard area . . . . .	in 1000 ha	16,9	16,9
Yield of wine after fermentation . . . . .	in 1000 hl	140	106
Hop-growing area (area on which hops were actually cultivated) . . . . .	in 1000 ha	10,5	12,6
Yield of hops . . . . .		193,4	217,0
Number of horses (of 1st January) . . . . .	in 1000	—	—
Number of cattle (of 1st January) . . . . .	in 1000	—	—
Number of pigs (of 1st January) . . . . .	in 1000	—	—

# AGRICULTURAL

		1926	1927
Total production of sugar (in raw sugar)	in 1000 q	15,073.4	10,458.2
Total output of beer . . . . .	in 1000 hl	9,713	9,997
Total production of malt . . . . .	in 1000 q	—	3,181.7
Production of pure alcohol . . . . .	in 1000 hl	580	516
Production of potato starch (as dry starch) . . . . .	in 1000 q	201	117
Production of dry starch . . . . .	in 1000 q	40	63

# STOCKBREEDING

1928	1929	1930	1931	1932	1933	1934	1935	1936
755,6	816,5	795,3	829,0	836,2	919,3	931,0	963,2	927,3
1.003,6	1.084,2	1.046,3	999,6	1.039,6	1.045,7	988,1	1.008,9	1.009,2
718,4	742,9	674,8	718,3	711,7	663,3	660,3	645,1	633,4
837,5	867,5	823,3	822,0	817,3	799,8	783,3	768,1	764,0
727,7	760,6	663,2	718,4	731,4	736,3	746,7	748,6	757,4
256,9	245,9	223,8	185,5	145,7	144,9	158,8	156,7	154,1
14,019	14,400	13,776	11,227	14,635	19,846	13,612	16,900	15,127
17,793	18,336	17,876	13,877	21,759	20,855	15,233	16,384	14,364
14,021	13,950	12,178	10,746	15,049	13,505	10,344	10,614	10,189
14,233	14,940	13,078	12,246	16,638	15,771	11,790	10,271	12,184
85,926	106,957	89,504	97,263	92,763	82,021	95,734	76,774	107,017
62,261	62,092	64,213	52,408	39,614	29,135	42,408	36,523	47,594
17,0	17,1	17,5	18,8	19,2	19,8	21,0	23,6	.
323	224	474	456	434	338	329	601	.
16,0	16,7	15,6	12,2	9,6	10,3	10,9	11,2	.
188,7	236,4	294,5	246,5	150,4	125,4	141,5	152,4	.
—	—	—	—	—	708	701	701	695
—	—	—	4,458	4,451	4,341	4,405	4,305	4,283
—	—	—	2,776	2,576	2,621	3,430	3,032	2,745

# OUTPUT

1928	1929	1930	1931	1932	1933	1934	1935	1936
12,549.2	10,564.5	10,356.9	11,413.1	8,193.7	6,374.1	5,190.4	6,420.6	.
11,061	11,611	11,417	10,377	9,556	7,952	7,996	7,744	.
3,313.8	3,685.1	3,690.4	2,884.2	2,502.5	2,216.0	1,773.7	1,876.2	.
595	616	703	642	736	958	964	1,024	.
344	246	268	173	158	140	99	221	.
48	80	136	154	84	71	81	76	.

		1926
Output of pit-coal . . . . .	1000 tons	14,177
Output of lignite . . . . .	"	18,516
Production of pit-coal coke . . . . .	"	1,957
Output of iron ore . . . . .	"	1,421
Output of manganese ore . . . . .	"	95
Production of prepared silver-lead ore . . . . .	tons	11,746
Production of prepared zinc ore . . . . .	"	540
Output of iron pyrites . . . . .	"	22,512
Output of quicksilver ore . . . . .	"	734
Output of gold ore . . . . .	"	31,135
Output of antimony ore . . . . .	"	7,319
Output of uranium ore . . . . .	"	213
Output of graphite . . . . .	"	30,818
Output of crude oil (naphtha) . . . . .	"	22,138
Quantity of gas produced . . . . .	1000 m <sup>3</sup>	82,357
Production of pig iron . . . . .	1000 tons	1,088
Production of raw steel . . . . .	"	1,600
Production of salt in salt mines and salt-works . . . . .	tons	94,867
Production of lead . . . . .	"	2,316
Production of zinc . . . . .	"	2,789
Production of copper (refined) . . . . .	"	348
Production of raw quicksilver . . . . .	kg	82,277
Production of pure gold . . . . .	"	240.5
Production of pure silver . . . . .	"	23,810
Production of antimony regulus . . . . .	tons	1,051
Production of Radium salts . . . . .	mg.	—
with radium contents . . . . .	mg.	—
Increase in the number of new motor vehicles . . . . .	number	—
Production of cigarette lighters . . . . .	in mills. of boxes	—
Production of matches for home consumption . . . . .	kg.	53,246
Production of saccharine . . . . .	tons	101,178
Yield of faded mineral oil . . . . .	number	—
Production of full-length talking films . . . . .	"	15,818
Net increase of dwellings in 70 largest towns . . . . .	"	7,397
Total number of new buildings approved . . . . .	"	6,608
Total number of applications for patents . . . . .	"	3,000
Number of patents granted . . . . .	"	10,692
Industrial consumption of coal . . . . .	1000 tons	—
Production of cement . . . . .	waggons	—
Imports of raw cotton . . . . .	1000 q.	1,104
Imports of raw wool . . . . .	"	288
Imports of flax, hemp, jute, yarns and goods . . . . .	in mill. Kc	427
Imports of silk and silk goods . . . . .	"	554
Imports of machinery and apparatus . . . . .	"	462
Exports of sugar . . . . .	1000 q.	9,249
Exports of finished cotton goods and yarns . . . . .	in mill. Kc	2,439
Exports of flax, hemp, jute, yarns and products . . . . .	"	574
Exports of finished woollen goods and yarns . . . . .	"	1,502
Exports of ready-made clothing, hats, etc. . . . .	"	526
Exports of glass . . . . .	"	1,169
Exports of porcelain, white and coloured . . . . .	"	226
Exports of machinery and apparatus . . . . .	"	338
Exports of fruit and vegetables . . . . .	"	730
Exports of malt . . . . .	1000 q.	1,713

# PRODUCTION

1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
14,016	14,568	16,548	14,469	13,165	11,032	10,627	10,789	10,894	12,353
19,621	20,444	22,534	19,160	17,869	15,787	14,968	15,071	15,114	16,070
2,423	2,816	3,163	2,712	2,046	1,277	1,259	1,345	1,551	1,945
1,591	1,779	1,808	1,653	1,235	602	429	539	731	.
108	99	97	85	84	33	17	59	71	.
12,916	13,857	14,591	12,607	10,016	9,533	9,473	8,686	9,305	.
856	559	.	1,598	2,705	2,007	1,726	1,193	1,819	.
23,300	23,626	23,005	21,669	20,694	15,640	15,426	17,920	20,000	.
149	496	519	219	943	2,268	136	3,921	8,668	.
31,442	27,321	27,920	20,466	3,662	4,377	6,136	20,475	35,592	.
14,318	11,607	6,203	1,770	2,265	2,148	12,850	14,417	24,132	.
212	316	228	201	232	213	163	133	177	.
41,113	32,332	23,651	14,560	1,830	922	122	3,503	1,870	.
16,474	13,929	13,864	22,796	19,736	18,493	17,776	25,971	19,946	.
89,363	96,204	108,376	115,092	122,289	121,689	121,738	122,015	.	.
1,260	1,569	1,645	1,437	1,165	450	499	600	811	1,140
1,689	1,994	2,220	1,836	1,530	687	750	956	1,196	1,560
118,948	149,593	166,361	177,693	190,179	177,413	156,565	147,299	163,843	.
2,502	3,065	4,609	4,225	3,569	4,124	3,811	4,066	4,805	.
6,324	8,039	10,675	13,472	7,917	6,031	6,605	7,634	9,664	.
399	477	668	755	554	573	405	323	380	.
55,247	71,929	65,445	71,019	76,624	45,018	6,094	26,220	68,937	.
231'0	220'5	156'3	183'8	32'8	71'5	118'3	236'0	515'5	.
23,780	23,881	22,488	27,767	26,112	29,460	28,497	30,210	41,359	.
1,024	795	460	158	320	534	818	1,017	1,549	.
6,446	9,260	11,357	6,517	8,650	7,462	8,232	9,693	9,761	.
2,031	3,317	3,521	3,578	3,750	3,750	3,278	2,750	2,920	.
.	.	959	6,307	64,277	12,471	8,930	9,704	9,269	11,046
.	.	.	738,1	743,7	118,679	109,885	142,274	70,443	.
30,165	61,000	710,1	72,418	147,273	494,8	458,8	442,7	438,1	.
125,065	156,630	32,215	258,459	276,546	104,644	142,965	156,726	188,645	.
.	.	193,436	6	18	320,176	273,401	279,793	285,273	.
23,087	35,328	26,390	22,734	28,935	25	31	30	24	.
9,471	10,617	7,862	5,844	5,754	31,309	15,792	12,564	10,297	.
7,763	8,461	9,113	10,084	9,570	7,014	4,358	4,030	2,861	.
3,300	3,450	3,700	3,700	3,650	8,233	7,890	7,938	7,590	.
11,406	12,243	13,670	11,796	10,698	3,900	4,000	3,700	3,200	.
—	—	—	—	—	8,465	8,252	8,327	8,837	10,117
1,600	1,372	1,339	1,206	1,008	—	—	—	98,167	105,149
379	369	393	355	351	866	756	829	811	971
550	463	454	398	194	260	282	290	297	348
728	792	831	721	539	149	128	218	231	236
473	702	796	580	411	323	215	281	236	283
5,584	7,434	5,403	5,187	4,525	193	130	176	208	266
3,022	2,959	2,814	2,360	1,546	3,942	2,033	1,619	1,962	2,185
722	688	642	548	425	763	574	585	655	697
1,950	2,018	1,951	1,578	1,075	247	218	301	275	230
590	662	704	586	438	436	489	497	457	492
1,144	1,269	1,379	1,154	974	218	154	267	305	353
264	298	288	244	174	611	531	597	580	609
407	556	547	476	335	103	86	89	96	91
644	527	368	232	191	210	127	190	232	247
1,638	1,556	1,785	1,411	1,250	138	208	285	223	260
.	.	.	.	.	720	739	763	638	760

## EMPLOY-

		1926	1927
	Annual average		
Number of unplaced applicants for work . . . . .	in thousands	67.8	52.9
Vacant positions . . . . .	"	12.7	12.6
Number of unemployed assisted through Trade Unions . . . . .	"	34.0	17.6
Average number of persons insured at the Central Social Insurance Institute . . . . .	"	2,491	2,494
Employment of persons in higher posts (in the returns of the Pensions Insurance) . . . . .	"	—	—
Total relief paid according to the Ghent system . . . . .	in mill. Kē	35.0	31.1
Number of overtime hours work allowed . . . . .	in thousands	9,276.0	17,787.4
Strikes and lockouts, total . . . . .	—	163	208
Number of concerns affected . . . . .	—	591	3,886
Number of persons affected . . . . .		86.7	257.2
Number of working days lost . . . . .		734.9	1,466.0
Total wages lost . . . . .	in thous. Kē	19,375	37,937
Workers wages (in the returns of Sickness Insurance) . . . . .			
Average insured daily wage per insured person . . . . .	in Kē	—	—

## DOMESTIC

		1926	1927
Movement in Trades :			
Number of trades reported for registration . . . . .		—	—
Number of trades struck from register . . . . .		—	—
Total number of "sellings off" approved of . . . . .		94	92
Number of bankruptcies registered . . . . .		492	503
Total excess of liabilities in bankruptcy cases . . . . .		66,764	45,816
Number of arrangements opened . . . . .		2,514	2,426
Total excess of liabilities in arrangements . . . . .		422,572	380,871
Total number of joint-stock companies . . . . .		1,267	1,279
Capital of the above . . . . .	in mill. Kē	7,107	7,216
Number of joint-stock companies paying a dividend . . . . .		484	530
Capital of the above . . . . .	"	5,369	6,112
Total of dividends paid . . . . .	"	574	645
Total number of limited liability companies . . . . .		2,060	2,069
Capital of above . . . . .	"	880	896
Total number of non-credit cooperative societies entered in the trades register . . . . .		8,396	8,490
Number of cartel agreements in the Register of Cartels (as of 1st May each year). . . . .		—	—



# MENT

1928	1929	1930	1931	1932	1933	1934	1935	1936
38.6	41.6	105.4	291.3	554.1	738.3	677.0	686.3	622.7
16.0	18.5	14.8	13.6	12.9	7.8	4.7	4.9	7.8
16.3	23.8	51.4	102.2	184.6	247.6	246.0	235.6	.
2,629	2,702	2,647	2,496	2,264	2,083	2,077	2,117	.
—	—	299.9	316.5	317.8	311.3	310.7	321.7	.
24.5	32.3	70.0	248.6	460.5	672.1	446.0	481.3	.
15,331.3	16,277.9	5,972.8	4,280.7	1,272.1	1,199.1	959.5	318.3	804.7
282	230	159	254	317	209	213	219	.
1.927	1.136	251	523	1.509	507	443	580	.
180.6	122.3	57.2	49.5	103.2	36.6	38.5	39.9	.
1,728.4	753.2	423.1	498.9	1,255.6	289.4	264.5	490.4	.
61,387	21,794	12,858	13,650	43,898	6,751	5,533	9,553	.
18'61	19'11	19'13	18'66	17'72	16'72	16'30	15'93	* 16'16

\* Provisional data

# ENTERPRISE

1928	1929	1930	1931	1932	1933	1934	1935	1936
—	—	72.033	70.130	73.184	71.315	73.638	61.889	.
—	—	34.768	38.085	40.226	52.597	42.780	44.060	.
99	131	161	155	141	143	145	127	.
518	650	886	1,053	1,442	1,583	1,255	1,072	* 779
71,687	41,545	93,341	148,133	196,592	295,865	148,765	105,635	* 42,366
2.145	2.895	4.302	4.582	4.584	3.538	1.975	1.570	* 1.032
283,226	465,263	705,598	682,687	583,871	456,115	255,157	166,975	* 90,942
1.275	1.306	1.320	1.344	1.335	1.334	1.332	1.330	.
7.184	7.682	8.106	8.469	8.721	8.865	8.891	9.026	.
593	592	513	383	335	340	325	.	.
7.156	7.329	6.826	4.621	4.414	4.341	5.187	.	.
758	817	739	367	285	273	324	.	.
2.081	2.076	2.045	2.096	2.057	2.053	2.035	2.021	.
906	966	989	1,029	1,020	1,024	1,035	1,039	.
8.684	8.914	9.912	9.433	9.530	9.455	9.395	9.261	.
—	—	—	—	—	—	649	712	787

\* Provisional data

		1926	1927
Total special trade:	in mill. Kč		
1. Imports . . . . .		15.277	17.961
2. Exports . . . . .		17.857	20.135
3. Balance $\pm$ . . . . .		+ 2 580	+ 2.174
Net commodity trade:	in mill. Kč		
1. Imports . . . . .		15.277	17.960
2. Exports . . . . .		17.755	20.133
3. Balance $\pm$ . . . . .		+ 2.478	+ 2.173
Special foreign trade according to the individual items of the Brussels nomenclature:	in mill. Kč		
Imports:			
Live stock . . . . .		606	725
Foodstuffs and beverages . . . . .		3.420	3.751
Raw materials . . . . .		7.204	8.540
Finished goods . . . . .		4.043	4.932
Precious metals . . . . .		4	14
Exports:			
Live stock . . . . .		55	48
Foodstuffs and beverages . . . . .		3.340	2.870
Raw materials . . . . .		3.471	3.954
Finished goods . . . . .		10.884	13.251
Precious metals . . . . .		107	12
Imports from the individual continents (according to country of origin)	in mill. Kč		
from Europe . . . . .		10.617	12.088
from Asia . . . . .		1.121	1.239
from Africa . . . . .		331	444
from America . . . . .		2.990	3.902
from Australia and Oceania . . . . .		157	219
Exports to the individual continents:	in mill. Kč		
to Europe . . . . .		15.735	17.741
to Asia . . . . .		729	685
to Africa . . . . .		206	269
to America . . . . .		1.159	1.403
to Australia and Oceania . . . . .		28	38

## TRADE

1928	1929	1930	1931	1932	1933	1934	1935	1936
19.208	19.988	15.714	11.800	8.158	6.125	6.391	6.743	7.909
21.224	20.499	17.473	13.149	7.392	5.923	7.287	7.946	8.086
+ 2.016	+ 511	+ 1.759	+ 1.349	- 766	- 202	+ 896	+ 1.203	+ 177
19.191	19.962	15.713	11.764	7.487	5.831	6.382	6.738	7.903
21.205	20.497	17.472	13.118	7.343	5.854	7.280	7.418	8.014
+ 2.014	+ 535	+ 1.759	+ 1.354	- 144	+ 23	+ 898	+ 680	+ 111
719	951	725	231	137	105	73	165	242
3.494	2.920	2.657	2.384	1.570	1.118	936	1.084	979
9.151	9.779	7.115	4.978	3.307	2.909	3.443	3.593	4.308
5.808	6.292	5.183	4.131	2.445	1.667	1.897	1.874	2.359
36	46	35	76	699	326	43	27	21
62	35	55	23	4	1	3	2	2
2.901	2.341	1.706	1.113	832	455	401	402	497
3.668	3.442	2.796	2.041	1.386	1.343	1.760	1.619	1.669
14.554	14.667	12.904	9.929	5.107	4.043	5.103	5.372	5.835
39	14	13	43	63	81	21	551	83
13.279	13.997	11.449	8.682	5.510	4.036	4.342	4.564	.
1.266	1.465	1.001	734	410	438	533	629	.
489	547	363	303	250	217	287	359	.
3.906	3.687	2.669	1.902	1.474	1.007	1.073	1.047	.
210	209	154	112	64	98	124	119	.
18.342	17.252	15.039	11.170	6.176	4.809	5.737	6.298	.
737	793	644	599	273	251	439	418	.
345	378	356	279	196	167	203	248	.
1.755	2.025	1.397	1.082	725	676	873	941	.
44	50	37	19	22	21	36	42	.

## PRICE

		1926	1927
Total index of wholesale commodity prices including:	VII 1914 = 100		
1. Index of foodstuffs and beverages . . . . .	"	944	968
2. Fodder index . . . . .	"	893	952
3. Index of industrial raw materials and manufactures . . . . .	"	744	633
Indices of retail prices:			
Foodstuffs index . . . . .	"	1.009	1.005
Cost-of-living index for a Prague family:			
worker's family . . . . .	"	* 864	* 920
clerk's family . . . . .	"	* 716	* 747
Stock Exchange indices:	3 I 1927 = 100	* 696	* 703
Total Stock Exchange index . . . . .	"	—	125.1
including:			
1. Total index of investment stock . . . . .	"	—	105.5
2. Index of domestic bank shares . . . . .	"	—	109.8
3. Total index of industrial and transport shares . . . . .	"	—	129.6

\* Old series

## TRANSPORT

		1926	1927
Number of post offices . . . . .		3.701	3.707
Total mail carried . . . . .	in thousands	908,120	908,642
Total Post Office orders sent . . . . .	in mil. Kč	3,231	3,325
Registered letters handed in . . . . .	in thousands	38,293	34,447
Number of parcels handed in for home and foreign destinations . . . . .	"	27,689	30,426
Paid telegrams sent to home destinations . . . . .	"	3 433	3,650
Local telephone calls . . . . .	"	204,569	199,945
Length of telegraph lines . . . . .	km	20,595	20,714
Length of inter-urban lines . . . . .	km	108,790	164,157
Holders of wireless (receiving) licences . . . . .		174,137	220,649
Total number of carloadings on all Czechoslovak railways . . . . .	in thousands	5,585	6,114
Of these, for export trade . . . . .	"	622	692
Total freight conveyed on the Czechoslovak State and private railways . . . . .	in 1000 tons	—	—
Total shipments by water:			
on the Danube . . . . .	"	879	1,244
on the Elbe and Vltava . . . . .	"	3,697	3,765
Number of kilometres flown in home air communications . . . . .	km	181,882	380,585
Total length of roads . . . . .	"	64,642	65,613

\* Provisional data. \*\* Ascertained by new method.

# INDICES (Annual Averages)

1928	1929	1930	1931	1932	1933	1934	1935	1936
969	913	811	736	680	659	676	705	707
932	855	752	705	657	650	680	724	712
870	831	562	616	600	432	574	653	419
1.013	977	887	774	709	681	678	688	720
* 916	* 897	858	780	728	701	668	697	.
* 748	* 744	746	713	700	692	684	697	706
* 703	* 712	719	685	673	667	660	674	686
135.4	135.8	115.8	96.0	78.5	83.7	87.6	94.1	119.5
106.2	103.9	106.5	105.7	96.8	93.6	93.8	96.9	99.5
121.0	126.9	120.8	109.4	98.1	97.9	98.9	101.0	103.2
142.1	142.9	117.1	92.7	81.2	73.9	86.2	93.8	126.6

## AND COMMUNICATION

1928	1929	1930	1931	1932	1933	1934	1935	1936
3.705	3.716	3.724	3.749	3.756	3.746	3.746	3.747	.
966,326	1,083,973	1,110,849	998,329	1,026,290	940,368	**657,226	**660,568	.
3,440	3,609	3,494	3,309	2,975	2,651	2,576	2,570	.
35,015	36,989	38,907	39,048	36,553	32,880	31,208	30,396	.
32,065	33,011	32,881	29,447	25,359	22,542	22,451	22,807	.
3,943	4,135	3,946	3,808	3,425	3,026	3,023	3,056	.
211,987	223,633	228,504	235,317	230,531	226,182	222,369	221,172	.
20,653	20,722	20,665	20,616	20,370	20,303	20,278	19,605	.
238.817	255.401	348.377	370.307	415.100	419.860	424.002	458.475	.
238.341	267.962	315.241	384.513	472.187	573.109	693.694	847.955	.
6,291	6,447	5,933	5,430	4,651	4,246	4,480	4,638	5,099
688	678	551	432	305	297	350	327	337
87,437	89,418	78,351	68,607	52,073	45,652	49,240	51,989	.
1,275	1,063	1,283	1,522	739	615	736	673	* 653
3,928	3,308	3,093	3,506	2,974	2,239	2,519	2,683	* 3,118
385.054	530.901	523.380	516.397	500.488	496.749	446.972	522.342	.
66 666	67.123	67.479	68.475	68.987	69.474	69.664	69.903	.

# CONSUMPTION AND

		1926	1927
Consumption of meat (absolute) . . . . .	tons	386.629	390.067
per head of population . . . . .	kg	27.04	27.10
Consumption of fat (absolute) . . . . .	tons	94.684	94.547
per head of population . . . . .	kg	6.64	6.57
Consumption of coffee . . . . .	tons	13.250	13.425
Consumption of sugar . . . . .	tons	328.309	348.573
Consumption of alcohol . . . . .	hl	521.023	556.726
Consumption of salt . . . . .	tons	159.984	165.891
Consumption of beer . . . . .	1000 hl	9.493	9.769
Consumption of wine and cider . . . . .	"	455	429
Value of tobacco products sold at home . . . .	mill. Kč	2.050	2.090
Total consumption of coal, coke, briquettes in equivalent of pit-coal . . . . .	1000 tons	19,725.1	21,513.5
Consumption of coal for heating . . . . .	"	2,859.1	2,913.6
Consumption of gas . . . . .	1000 m³	72,454	78,189
Consumption of electric energy . . . . .	mill. kWh	2.115	2.398
Consumption of mineral oil . . . . .	1000 q	1,250.7	1,566.3
Average daily takings per member by the leading cooperative supply societies . . . .	Kč	—	—
Yield of entertainment tax in towns of more than 10,000 inhabitants . . . . .	1000 Kč	46,530	47,555
including: from cinema attendance . . . . .	"	29,221	30,190

# MOVEMENT OF

		1926	1927
Number of marriages . . . . .	Number	130.805	130.237
Number of live births . . . . .	"	351.706	335.709
Number of deaths . . . . .	"	222.684	230.625
Natural growth of population . . . . .	"	129.022	105.084
Total number of emigration passports issued including: to European States . . . . .	"	26.129	23.596
to overseas . . . . .	"	11.656	7.433
Number of persons naturalized . . . . .	"	14.473	16.163
Number of persons released from citizenship . .	"	6.213	5.979
	"	15.952	23.879

# TOURIST

		1926	1927
Number of visitors to Prague:			
from inland . . . . .	number of persons	301.384	359.127
from abroad . . . . .	"	61.317	84.864
Number of visitors to the larger health resorts:			
from inland . . . . .	number of persons	218.904	264.416
from abroad . . . . .	"	179.787	196.729

## TURNOVER

1928	1929	1930	1931	1932	1933	1934	1935	1936
422.985	418.719	412.608	424.843	405.302	380.704	429.072	412.674	.
29.20	28.70	28.10	28.73	27.22	25.40	28.51	27.29	.
97.294	99.208	95.623	90.449	83.187	76.929	81.867	79.200	.
6.72	6.80	6.51	6.12	5.59	5.13	5.44	5.25	.
12.934	13.552	13.757	15.187	15.343	9.362	11.185	11.289	.
358.175	358.109	353.876	346.776	327.130	327.702	322.550	338.028	.
571.077	562.690	546.793	527.522	960.707	912.026	907.572	.	.
171.878	175.522	170.587	170.393	152.551	158.109	160.992	155.106	.
10.805	11.342	11.183	10.227	9.456	7.878	7.924	7.671	7,482
437	466	456	500	481	428	417	409	453
2.250	2.355	2.305	2.171	2.173	1.993	1.908	1.819	.
23,790.7	25,510.7	21,689.1	20,211.3	17,436.6	16,808.4	16,887.7	17,705.6	19,937.6
3,138.2	3,827.5	2,866.8	3,733.7	3,520.9	3,505.7	3,217.2	3,445.9	3,683.8
84,396	94,122	10,1459	106,689	106,970	107,410	108,575	.	.
2.766	3.060	3.087	2.974	2.699	2.674	2.902	3.083	.
1,934.4	2,584.6	2,765.5	3,201.8	2,734.0	2,797.9	2,852.7	.	.
—	6.86	6.65	6.26	5.86	5.28	5.08	5.27	.
53,499	57,226	63,923	58,752	49,934	44,667	42,656	42,111	.
33.077	36,843	43,111	39,835	34,404	31,058	28,969	29,180	.

## POPULATION

1928	1929	1930	1931	1932	1933	1934	1935	1936
137.201	139.200	136.959	129.875	127.990	124.823	118.270	115.634	.
337.269	326.307	333.253	318.262	312.457	287.677	280.757	270.925	.
219.217	225.527	207.709	212.280	210.341	205.213	199.203	204.133	.
118.052	100.780	125.544	105.982	102.116	82.464	81.554	66.792	.
24.540	30.715	25.712	9.567	5.165	4.735	5.065	5.686	* 6.102
10.018	14.944	17.666	7.056	3.772	3.177	2.644	2.927	* 3.232
14.522	15.771	8.046	2.511	1.393	1.558	2.420	2.759	* 2.870
6.625	6.038	8.278	12.142	12.954	8.604	5.918	5.929	.
17.866	17.218	16.689	14.566	11.526	7.242	4.707	4.975	.

\* Provisional data

## TRAFFIC

1928	1929	1930	1931	1932	1933	1934	1935	1936
562.818	491.165	572.380	462.864	552.171	364.329	407.078	441.945	*294.424
108.865	114.802	106.587	85.540	81.690	63.563	67.742	72.539	*90.602
293.996	309.950	338.853	313.072	323.652	327.609	436.887	498.899	*527.391
262.264	283.590	264.643	197.626	137.135	99.046	132.562	135.968	*141.538

\* Provisional data





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